

India Considering New Laws Following Bombings by Sikhs

By William Claiborne
Washington Post Service

NEW DELHI — Prime Minister Rajiv Gandhi said Monday that the government was considering the enactment of special anti-terrorism laws following the weekend bombings by Sikh separatists.

While Mr. Gandhi did not specify what provisions he was considering, he told the Indian parliament that the government faced restrictions in apprehending terrorists. He suggested that amendments to the law would be proposed in the next day or two.

Mr. Gandhi said that the government would be flexible in seeking a political solution to Sikh demands for increased autonomy but that it was determined to be "tough" in combating terrorism.

Mr. Gandhi delivered a 30-minute speech during a parliamentary discussion of the weekend wave of about 30 booby-trap bombings, in which at least 80 persons died and more than 100 injured. He cautioned non-Sikhs against reacting "in a way they want us to react."

"The extremists want a backlash and the whole community to be alienated," Mr. Gandhi said, referring to the community of Sikhs. "This is what we should avoid."

In his speech, Mr. Gandhi referred obliquely to charges of Pakistani involvement in the Sikh separatist movement, saying: "The fact is that foreign involvement is there. You know it. We know it. It does not help ignoring it. But there is no use giving too much importance to it."

It appeared unlikely that Mr. Gandhi would propose legislation approaching the severity of the "emergency" measures adopted in 1975 by his mother, Indira Gandhi, who suspended civil rights and jailed thousands of political opponents.

But provisions of the Anti-Terrorism Act that is in force in Punjab and in the turbulent region of far northeast India could be extended to other states not yet officially declared as "disturbed areas."

Mr. Webster said the alleged plot included plans to assassinate Bhanu Lal, chief minister of the Indian state of Haryana.

He said that an investigation of a group of Sikhs resulted in seven individuals being charged with a variety of offenses, including conspiracy to possess and receive explosives, conspiracy to possess and receive a machine gun not registered to them and conspiracy to assassinate a foreign official.

■ **Murder Trial Starts Late**
The trial of Satwant Singh, accused of murdering Mrs. Gandhi in October, and two other Sikhs charged with conspiracy to murder, started five hours late Monday because the judge did not know he was meant to be there, Reuters reported from New Delhi.

Mr. Singh's defense lawyer, P.N. Lekhi, arrived on time at 10 A.M. but left angrily when the judge and prosecution did not appear. At 2:45 P.M. the three accused men appeared before Judge Mahesh Chandra, who said he heard only at 11:30 A.M. that he was meant to be at the trial. Mr. Lekhi did not return for the hearing, which was held in a makeshift courtroom in the Tihar jail.

After a 30-minute hearing in which the presence of the three accused men was recorded, Judge Chandra adjourned the court until Thursday.

An attorney for GE, Henry S. Ruth, told Judge Bechtle on Monday that GE, which had originally pleaded innocent, changed its position after a former unit manager admitted he had been involved in intentional mischarging and had agreed to testify for the government.

(AP, UPI)

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Those provisions, amended last year, give police and paramilitary security forces broad powers in making preventive arrests, restricting public movement, restricting public assembly and controlling the press. More than 1,000 Sikhs have been arrested in northern India because of the bombings.

■ **FBI Foils Sikh Plot**
William H. Webster, the director of the FBI, said Monday that the bureau has foiled a plot by Indian Sikhs to assassinate Mr. Gandhi during his visit to the United States next month. The Associated Press reported from Washington.

Mr. Webster said the alleged plot included plans to assassinate Bhanu Lal, chief minister of the Indian state of Haryana.

He said that an investigation of a group of Sikhs resulted in seven individuals being charged with a variety of offenses, including conspiracy to possess and receive explosives, conspiracy to possess and receive a machine gun not registered to them and conspiracy to assassinate a foreign official.

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A Dutch policeman throws a demonstrator to the ground during Pope John Paul II's visit to Utrecht. Incidents continued during the pope's visit Monday to The Hague.

Pope Denounces Apartheid

(Continued from Page 1)

people lined the one-mile route to cheer. Later, the pope went to meet Queen Beatrix and her husband, Prince Claus, at their palace on the city's northern outskirts. A crowd of about 1,500 cheered John Paul as he emerged from the one-hour meeting, but a small group of protesters, wearing ski masks and waving black anarchist flags, whistled derisively.

Mr. Lubbers, a Catholic, welcomed the pope but also acknowledged the widespread opposition

among Dutch Catholics, who make up 40 percent of the population of 14 million, to John Paul's conservative policies.

"Sometimes Rome seems a very long way away from here," Mr. Lubbers, a Christian Democrat, told the pontiff. "Indeed, to be quite frank, simply the word Rome makes some people uneasy if not downright suspicious."

John Paul's five-day trip, to be followed by a tour of Belgium and Luxembourg, has caused deep divisions within the fiercely independent Dutch church.

Private Firm Trims U.S. Civil Case Backlog

(Continued from Page 1)

system can institutionalize a lack of fairness, which is exactly what happened in the juvenile justice system."

Among Judicate's clients are unions and casinos in Atlantic City, New Jersey.

Mr. Epstein said: "If an employee sues and waits four or five years to get into court, he can win reinstatement with four or five years' back pay. If the case is heard in eight weeks, he gets only eight weeks' back pay, and is reinstated while his knowledge of the company is current."

A plumber who had hurt his hand when he put it through the glass of a church's swinging door, took his case to Judicate, which then won from the insurance company an agreement to abide by its decision.

Jack Brian, a former judge in Philadelphia's Court of Common Pleas, found for the church. The case was decided in a single session, for which Judicate charges \$600. The parties share the cost. The plumber filed an appeal, however, and the appellate panel affirmed Mr. Brian's decision. The appeal cost the plumber an additional \$1,800.

Insurance companies use private procedures for a variety of reasons. Stephen B. Middlebrook, vice president and general counsel of the Aetna Life and Casualty Co. of Hartford, Connecticut, said it was not unusual to spend more on litigation than on damages.

He said Aetna, which has used EnDispute, the Washington company, often turned to private systems to avoid the adversarial atmosphere of courtrooms, especially when a dispute involved another company "that we would like to maintain a continuing relationship with."

Legal Files Destroyed as Rocket Hits Beirut Courts

Reuters

BEIRUT — A rocket hit the Lebanese Justice Ministry on Monday and started a fire in the fourth-floor law courts that destroyed legal records and files, security sources said.

Amin Nassar, president of the Higher Judicial Council, told Beirut radio: "All files without exception have been burned. Citizens' rights have become ashes."

He described the attack, followed by heavy shelling of Christian areas just to the east of the ministry, as the biggest disaster of the civil war.

In earlier fighting between Christian and Moslem militias, three civilians were killed and 17 wounded, police said.

The courts, used for civil and criminal cases, are in an area held by Christian forces. They face Syrian-backed Moslem militiamen at the main Museum Crossing point on the Green Line, separating the city's Christian and Moslem sections.

With five other crossings, it has been closed for most of the past two weeks by the shelling, which press reports say has killed more than 80 people and wounded about 450.

Minister of Justice Nabih Berri, who heads the Shiite Moslem Amal movement, condemned the attack on the courts, calling it the biggest catastrophe of the recent fighting in the city.

"It was a direct hit," he said at a news conference, adding that the rocket came from an unknown source.

■ **Jumblatt Rules Out Accord**
The attack on the Justice Ministry and the renewed fighting came a day after Walid Jumblatt, the leader of the Druze Moslem leftists, ruled out any chance of a settlement with Elie Hobeika, the newly elected president of the Lebanese Forces.

The Associated Press reported from Beirut.

Mr. Jumblatt called Mr. Hobeika, whom Israel says led the massacre of Palestinians in Beirut's refugee camps in September 1982, a "crime and terrorism" specialist.

"There won't be any agreement or reconciliation with the Lebanese Forces' current or former leaders" to end the war, Mr. Jumblatt said at his Chuf mountain headquarters in Mounkhatra southeast of Beirut.

However, he said a compromise could be negotiated under Syria's sponsorship with President Amin Gemayel as the representative of the Christians. He said "this might be Gemayel's last chance."

Mr. Hobeika was elected president of the Lebanese Forces last Thursday to take over from Samir Geagea, who had seized control of the militia in March in a revolt against Mr. Gemayel's pro-Syrian stance.

Shultz Ends Mideast Trip

(Continued from Page 1)

Palestine Liberation Organization, arrived Monday in Amman, saying that he had won Chinese backing for the Jordanian-Palestinian peace initiative on his recent visit to Beijing.

■ **Confederation Discussed**
A senior PLO official said Monday that King Hussein was ready to declare a Jordanian-Palestinian confederation whose government would negotiate an Israeli withdrawal from occupied Arab territory, Reuters reported from Tunis.

Salah Khalaf, who is second-in-command to Mr. Arafat in the largest PLO grouping, Fatah, said that it would be wrong for the PLO to accept such a move.

"King Hussein is ready to announce the setting up of a confederation now," he said, adding that this would go against decisions taken by the Palestine National Council.

The PLO official, Abu Iyad, said that the announcement of a confederation would mean the formation of a Jordanian-Palestinian government.

"I am convinced that it is this confederal government which will carry out negotiations over the head of the PLO," he said in Tunis, where the PLO has its headquarters.

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WORLD BRIEFS

Brink's Robbery Fugitive Arraigned

NEW YORK (AP) — A small arsenal that included bomb parts and a machine gun was found in the Baltimore apartment of a woman arraigned Monday on charges stemming from a Brink's robbery in 1981 in which three persons were killed, an FBI spokesman said.

Marilyn Jean Buck, 37, who had been a fugitive since 1977, went before U.S. District Judge Kevin T. Duffy on fugitive, conspiracy and racketeering charges. In addition to the bomb-making paraphernalia and an Uzi machine gun, a .22-caliber automatic with a silencer and a .38-caliber pistol were found in the apartment, the spokesman said.

She also faces murder charges in the deaths of two police officers and a guard during the \$1.6-million robbery in Nyack, New York, and other charges in connection with two robberies in New Jersey in 1978 and 1979. Five people were convicted in the Brink's case on charges of robbery and the slayings of the three men.

Soviet Press Carries Israeli Message

MOSCOW (WP) — The Soviet Union's two most authoritative newspapers have prominently featured messages from Israel, raising speculation in diplomatic circles that the Kremlin may be interested in mending fences with the Jewish state.

The government newspaper Izvestia gave unusual prominence Sunday to a message from President Chaim Herzog of Israel to Mikhail S. Gorbachev commemorating the 40th anniversary of the Allied victory over Nazi Germany. It was the first time that a communication by an Israeli leader was published in the Soviet media since Moscow broke relations with Israel during the 1967 Middle East war.

The Communist Party daily Pravda on Monday gave an unusually good display to an article on a manifesto of an Israeli committee "for celebrations of the victory over fascist Germany" signed by a number of Israeli intellectuals, including nine non-Communist Knesset members.

Pravda Assails Drunkenness as Crime

MOSCOW (AFP) — In the latest contribution to an official press campaign against alcoholism, Pravda, the Soviet Communist Party paper, denounced drunkenness Monday as a crime and said that alcoholics should be isolated.

The report said that alcoholics "bring harm to society, but above all to their family and friends" and argued that "punishment is important to safeguard and prolong" the lives of alcoholics, who it said often die 15 to 20 years before retirement.

The Politburo said in April that it would take a "series of social, political, economic, medical and administrative measures" to deal with the problem of drunkenness. No details were given at the time, but the forthcoming measures were expected to be extremely repressive, according to Soviet sources.

French Socialists Reject '86 Alliance

PARIS (Reuters) — France's governing Socialists have rejected the idea of seeking an alliance with the center to stay in power after elections in 1986.

No formal decisions were made at the weekend meeting of the party's management committee, but party sources said there was nearly unanimous opposition to the idea of forming a center-left coalition if the Socialists lost their absolute majority in the National Assembly.

The party's first secretary, Lionel Jospin, said after the meeting that he expected the Socialists to win no more than 30 percent of the vote in the 1986 elections. The Socialists' uneasy alliance with the Communist Party collapsed last year.

Baldrige to Encourage China on Trade

BEIJING (UPI) — Malcolm Baldrige, the U.S. commerce secretary, said Monday that he would urge China to lower barriers that hinder the marketing efforts of U.S. companies. He also promised to expedite the export of U.S. high technology to China.

In a speech to American businessmen, Mr. Baldrige said that Americans faced several obstacles in their attempts to reach the Chinese market: the high cost of doing business in China, difficulties in securing labor and supplies, erratically applied customs rules and tariffs and restrictive policies on the repatriation of profits.

Mr. Baldrige, on a four-day visit to Beijing for a meeting of the U.S.-Chinese Joint Commission on Commerce and Trade, said the two countries would sign an agreement on industrial renovation aimed at enabling U.S. companies to participate "on the ground floor" in refurbishing and upgrading hundreds of outmoded Chinese factories, many built with Soviet aid and expertise in the 1950s, he said.

Illinois' Rape Sentence Commuted

CHICAGO (UPI) — Governor James R. Thompson has commuted the prison sentence of Gary Dotson for a rape the accused has said never occurred, but the governor refused to grant a pardon.

After the commutation Sunday, Mr. Dotson, who has served six years in prison, said he still wanted a new trial to clear his name. "I'm disappointed that I'm not considered innocent but I've got to be happy. I'm free. I will pursue it in court more," Mr. Dotson said Sunday after hearing that his 25-to-30-year sentence had been commuted to the time already served.

The chief judge of the Cook County Criminal Court, Richard J. Fitzgerald, has scheduled a hearing Tuesday on a motion for a new trial. Mr. Dotson also has an appeal pending before the Illinois Appellate Court.

For the Record

United Airlines pilots and management sat down at the bargaining table Monday in Boston for the first time in a month in an effort to resolve a pay dispute and head off a strike set for Friday.

Edward Joseph Perkins, a career diplomat, was nominated Monday by President Ronald Reagan to be ambassador to Liberia. (AP)

Two 84-year-old men died of Legionnaires' disease Monday in a geriatric hospital in Stafford, England, where 11 other persons have died of the pulmonary virus, officials said. They were the 35th and 36th persons to die in the recent outbreak. (AP)

Soviet authorities deported an American tourist Monday. U.S. Embassy officials said. The woman, from Salt Lake City, Utah, told the embassy she was detained, ordered to undress and was searched by KGB officers for carrying Russian and English copies of "The Sermon on the Mount," intended as gifts. (AP)

Critics Sharply Assail Kohl After His Party Loses Vote

(Continued from Page 1)

ty's chances in North Rhine-Westphalia. "Even that hope was vain," an editorial said.

Post-election polls by West German television identified unemployment as the issue given the highest priority by the voters. The poll found that the majority believed that the Social Democrats were better equipped to deal with this issue.

Even more ominous for Mr. Kohl's coalition was that nearly 50 percent of the voters said that unemployment in North Rhine-Westphalia was the responsibility of the federal government. While the national rate of unemployment is about 10 percent, it is as high as 16 percent in some areas of the Ruhr, the industrial heartland of North Rhine-Westphalia.

The Stadt-Anzeiger of Cologne called the election a "protest vote" and reminded Mr. Kohl that he had come to power with the promise of reducing unemployment but had failed to do so.

In the 1983 national election, an estimated two million wage earners, including industrial workers from North Rhine-Westphalia, switched allegiance from the Social Democrats to Mr. Kohl's party.

On Sunday, these voters returned solidly to the Social Democrats, according to post-election polls.

Mr. Kohl, in a television debate Sunday night, named unemployed workers, pensioners and farmers as the three main groups of voters that had turned against his party. But he declared that the basic economic course of the government was correct and would be continued.

But at the first post-election meeting of the Christian Democrats' national party committee Monday, the chancellor's pledge to continue his economic policy was reported to have come under fire from other members.

Mr. Kohl and Willy Brandt, the head of the Social Democrats, clashed with unusual personal animosity Sunday night during a live television debate.

The dispute convinced foreign diplomats and others that foreign policy — especially Mr. Kohl's relationship with the United States — would be one of the most divisive issues before the 1987 national elections.

The clash started when Mr. Kohl accused Mr. Brandt of "systematic anti-Americanism" in connection with Mr. Reagan's visit. Flushed with anger, Mr. Brandt broke in to deny the charge. "Mr. Chancellor, you should be ashamed of yourself," he shouted several times. "You're telling lies to our people."

Mr. Kohl retorted that Mr. Brandt had "harmed the Federal Republic" by his stand on the Reagan visit and that it was he who was telling lies.

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The Cambodia Question

The nagging question of American foreign policy since World War II has been whether and how to intervene to defeat, diminish or head off local Communist regimes. Nowhere has this question been posed with more poignancy than in Cambodia. There a harsh and aggressive foreign Communist state, Vietnam, now rules. The principal resistance, the Khmer Rouge, is not only Communist but is also the very group that in the 1970s committed genocide against the Cambodian people and put itself forever beyond acceptance. There is a small non-Communist resistance. Should the United States offer it modest military aid?

The question is so difficult because the slightest and most hedged support of military action anywhere in Indochina awakens all the ghosts of the former American intervention. These ghosts haunt both the argument against aid and the argument in favor. The argument against stresses the need for a firm, informed American consensus supporting the likely risks and costs of a new intervention. Such a consensus does not now exist. The argument in favor of aid makes the case for conducting an active policy within the constraints of the cautionary lessons of Vietnam.

We do not think the advocates of aid have overcome the natural hesitation that many Americans have about even a token involvement in Indochina. What counts most for us is a consideration arising from the excruciatingly

flimsy prospects for the anti-Communist resistance's success and from the likelihood that the vile and powerful Khmer Rouge, supported by China, whose interest in the outcome is far greater than Washington's, will dominate the anti-Vietnam struggle indefinitely. How can a deeply ambivalent United States make, with a small aid initiative, what the recipients are bound to take as a commitment to see them through to the end? There is no honor in standing by, but, given the history, there is even less in stirring false hope.

Those of us who see the world as a place of grays, not of blacks and whites, must accept a tricky issue of consistency. Why aid the Afghan resistance — an Asian cause that America supports — and not the resistance in Cambodia? The Afghan rebels are also fighting a foreign occupation, also (and directly) fighting Soviet power, also fighting an uphill battle.

The telling difference is not simply that Afghanistan is a serious chance, if not to vanquish the Soviet invaders in battle, at least to force them in time to the negotiating table.

The political appeal of a cause is one reason to consider supporting it. But support must be serious. It is not serious if it is able to achieve almost nothing and falsely encourages its beneficiaries to believe in a commitment and a chance of success that do not exist.

— THE WASHINGTON POST.

Progress on the Deficit

President Reagan has taken two giant steps toward a responsible budget by accepting the defense and Social Security cutbacks in the Senate budget resolution. His return on both should surprise no one, given his pattern of asserting rigid stances and then backing away. But his new steps are impressive nonetheless. Do they mean that he is ready to take the third step? Adding taxes to this deficit-reduction package would make it even stronger.

It took Vice President George Bush's tie-breaking vote to give the majority leader, Robert Dole, a painstakingly built victory for a resolution that would reduce the prospective budget deficit by an estimated \$56 billion next year and cut it in half by 1988. The compromise is a flimsy edifice in other respects, too. It rests on shaky assumptions of growth and revenue. And it is a Republican plan that the Democratic House will shape further.

Yet the Senate blueprint moves matters in the right direction. Cutting defense spending growth to the rate of inflation is safe and sound. Mr. Reagan said recently that doing this would be irresponsible. But his blueprint remains massive. The Senate would still allow 4-percent military growth — the presumed inflation rate — while virtually all nonmilitary programs would be frozen, reduced or cut.

The most notable freeze is the one that the Senate would impose on cost-of-living raises for Social Security and other pensioners. Some such curb may be necessary so that all programs share the burden. But there may be more equitable ways to do it than by singling out pensioners. In any case, equity requires that a Social Security freeze not push low-income beneficiaries into poverty.

The Senate resolution's best feature is its acknowledgment that some government programs can be terminated. The major element missing is new revenue. Cowed by the president's threat to veto any tax measure, and knowing that tax increases are unpopular, the Senate refused even to put off the scheduled cut in cigarette taxes next fall. Just because massive deficit reduction can be achieved by spending cuts alone does not diminish the importance of added revenues.

Besides, the House will surely not go along with all the Senate's proposed spending reductions. Retaining the existing cigarette tax and raising the tax on gasoline would be merited in any case. Meanwhile, the Senate resolution finally demonstrates that the deficit problem is serious and that the president and Congress are serious about a remedy.

— THE NEW YORK TIMES.

Other Opinion

The World Waits for Reagan

For the first time since 1981, when the U.S. government launched the ambitious experiment in deficit-financing now universally known as Reaganomics, Mr. Reagan himself has sensed the dangers of the economic course which he has charted for America and the world. The president's sudden surrender on Friday to the Senate's demand for a freeze on military spending is the most hopeful sign to date that the U.S. budget deficit may be brought under control before it precipitates a serious financial crisis.

The basic cause of the growth of the deficit since 1983 has not been the increase in defense spending, rapid though this was. Over \$130 billion of the \$160-billion structural deficit can be directly attributed to huge tax cuts which were the cornerstone of the Reaganomics program. After four years of Reaganomics it is becoming clear that a sufficient political consensus does not exist in America for the sweeping reductions in government activity which Mr. Reagan would have needed to make his budget sums add up. It is now accepted even by the Republican leadership in Congress that a spending squeeze alone will not resolve the underlying imbalance created by Mr. Reagan's tax cuts. Sooner or later the president will probably be forced to compromise with Congress on tax reforms and higher revenues, as well as on cuts in spending. The big question is whether, while waiting for Mr. Reagan, to make his mind up, the world can avoid a serious recession or financial crisis.

— The Financial Times (London).

Toward a Worldwide Network?

Fantasies have existed for some time of the power of a worldwide television network. The

\$2-billion agreement by Rupert Murdoch and Marvin Davis to buy six major independent television stations from Metromedia Incorporated brings that fantasy nearer. Messrs. Murdoch and Davis already own Twentieth Century Fox Film Corporation, producers of movies and television shows. Mr. Murdoch controls an Australian network, an Australian film company, satellite communications capability and a European cable television group. What if they integrated it all?

This deal is just one more example of turbulence in the industry, which has seen the friendly acquisition of ABC by the smaller Capital Cities Communications, and hostile takeover attempts at CBS. It occurs while the older television technologies appear stronger (and the newer ones weaker) than previously forecast. Rupert Murdoch's creed is never to be boring. At a time when business power struggles are prime fodder for his television companies' shows, he never is. In the long run, the shrinking of the world by the global reach of his media signals is likely to be the least boring aspect of his ventures.

— The Baltimore Sun.

More Irish Support Neutrality

The Irish Republic's neutrality has always been vague and pragmatic. It was a result of the end of dependence on Britain and was regarded from the first by many Irishmen as more a symbol of independence than anything else. It has often been seen as a mere bargaining counter in a process designed to achieve unification with Ulster. But Irish belief in true neutrality is becoming more widespread. Always a major plank in the platform of the small Labor Party, it is gaining considerable adherence in both the major political parties.

— Neue Zürcher Zeitung (Zurich).

FROM OUR MAY 14 PAGES, 75 AND 50 YEARS AGO

1910: Mine Fire Kills 136 in England
LONDON — No one in the sorrowing town of Whitehaven now doubts that death in one of its most tragic forms has come to the 136 men down in the workings of the Wellington mine. The main way of the mine, about two miles from the bottom of the shaft and out under the Irish Sea, was walled up with bricks [on May 13] and the fire behind it left to burn itself out. The 136 men on the other side of the fire must have been dead already, so great was the heat. The last rescue party to go down recorded the temperature of 160 degrees Fahrenheit. The three Government inspectors of mines agreed that the only course left to extinguish the fire was to wall it in. Whitehaven is like one great family stricken by the hand of death.

1935: A Call to Stabilize Currencies
BASEL — Calling for the stabilization of currencies, the annual report of the Bank for International Settlements says that the tariff, quota, clearing and compensation agreements throttling international trade are "the inevitable concomitants of the chaotic money conditions which prevail." During the past year, says the report, approved by the European central bank governors, "disorder has become intensified through the fall, measured in gold, of sterling and the currencies responsive to it... the silver policy of the United States and the abnormal attraction of gold to the American market. No durable recovery can be hoped for unless and until stabilization of the leading currencies has been brought about."

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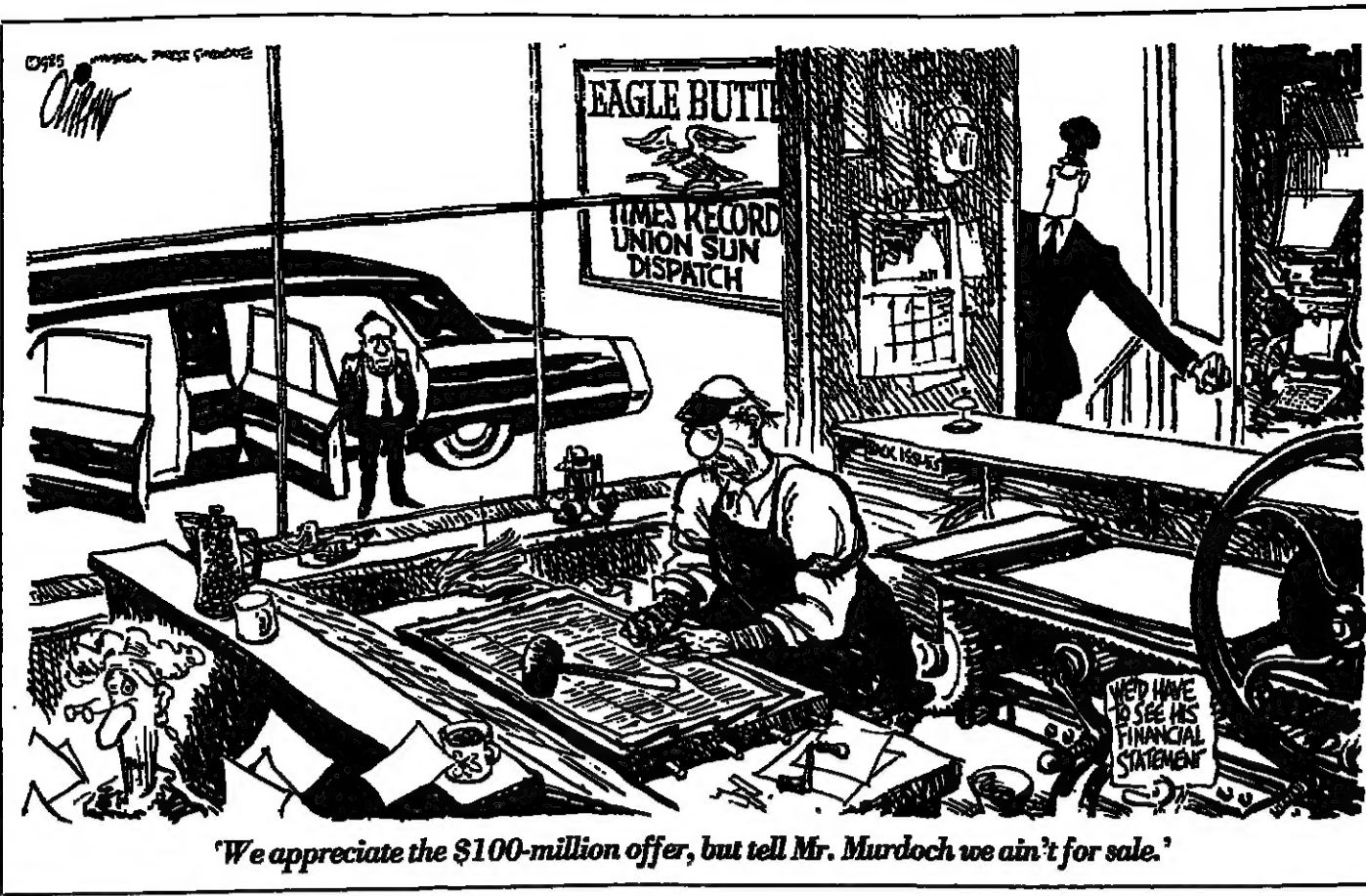
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Reagan and Gorbachev: A Meeting of Minds Soon?

By James Reston

WASHINGTON — There is an interesting paradox in the brief two-month relationship between Ronald Reagan and Mikhail Gorbachev. When they exchange letters, both stress the things they have in common. But when they talk in public they emphasize the things that divide their countries and blame one another for the dilemma.

In his letter to Mr. Gorbachev for the 40th anniversary of the U.S.-Soviet victory over Nazi Germany, Mr. Reagan called for "renewed progress toward the goals of making peace more stable, and eliminating nuclear weapons from the face of the Earth." In response, the new Soviet leader recalled "the spirit of cooperation which united us all" against the Nazis, and he pledged Moscow's willingness to accomplish "the task of preventing a nuclear catastrophe and fully eliminating nuclear weapons."

But within a few days they were bashing one another in public. In his address to the European Parliament in Strasbourg, Mr. Reagan described the Soviet government as a corrupt system whose military policies were disrupting the world, and later on he mocked it as an economic and political failure at home and abroad. Meanwhile, Mr. Gorbachev in Moscow was condemning the United States as "the forward edge of the war menace to mankind," although he added that a world without wars and weapons was attainable.

"The course of events," Mr. Gorbachev added,

"can be changed sharply if tangible success is achieved at the Soviet-American talks on space and nuclear arms... Such is our conviction. We firmly believe that the process of détente should be revived. This does not mean, however, a simple return to what was achieved in the 70s... From our point of view, détente is not the ultimate aim of policy. It is needed, but only as a transitional stage from a world cluttered with arms to a reliable and all-embracing system of international security."

Here is the fundamental challenge to U.S.-Soviet diplomacy: Do the superpowers concentrate on mutual fears and insults, or explore shared objectives of establishing a new system of international security and gradually eliminating nuclear weapons? For the time being both are obviously concentrating on their fears and distrust. Washington is worried about the development of a new Soviet missile with multi-warheads and Moscow about Mr. Reagan's "star wars" research program.

What has not been explored in the two months since Mr. Gorbachev emerged at the top of the Kremlin is what he thinks and whether it makes any difference. It is important to find out.

If both Mr. Reagan and Mr. Gorbachev keep saying they want to find a secure compromise in this nuclear power crisis, is it unreasonable to

suppose that they should arrange private talks, not only about the means of nuclear war but about the philosophy and process of how to reach their proclaimed objective of a nonnuclear world?

"Today," said Mr. Gorbachev, "on the anniversary memorable to all of us, I should like to repeat once more: The Soviet Union resolutely comes out for a world without wars, for a world without weapons. We state again and again that the outcome of the historical competition between the two systems cannot be solved by military means."

All this may be smoke and flimflam, but nobody in Washington knows. Mr. Gorbachev is a stranger who may or may not have power, but it would be interesting to get some people together to discuss quietly whether he and Mr. Reagan really agree on reducing tensions and nuclear weapons and finally on the abolition of same. It probably would not bring these two fundamentally different philosophies and political views of life to compromise, but nobody in Washington or Moscow knows.

All the superpowers know is that they are getting into a dangerous, expensive and potentially disastrous confrontation, and that they should begin to discuss it this summer at a personal meeting between Mr. Reagan and Mr. Gorbachev in the fall. This will not mean much, however, unless they get their philosophers and not merely their weapons technicians together.

The New York Times.

The Gorbachevs Might Give the Reagans a Contest

By Flora Lewis

LONDON — From the talk of London, Mikhail and Raisa Gorbachev are going to give Ronald and Nancy Reagan, the great masters of TV-manship, some racy competition if they go to New York in the fall as expected. In fact, word has filtered through from Moscow that the Soviet leader wants to include a visit to the Reagan ranch at Santa Barbara. That would turn the "informal summit" into a grand tour performance.

Mr. Gorbachev showed in his V-E Day speech in Moscow that he can be as tough and aggressive as any of his Kremlin predecessors when it comes to denouncing the West and blaming it for all of the world's present and past woes, including Hitler's war.

But he and his wife also showed during their week in London last year that they are susceptible to Western luxury and glitter, regardless of the call for more austerity and discipline at home in the Soviet Union.

Three anecdotes widely repeated

here among high officials and people with access to Margaret Thatcher's office make the point. The anecdotes have not been directly confirmed, so they cannot be offered as assured fact, but they do give the flavor still lingering after the Gorbachev visit. Enough people were in a position to know the details, if not to acknowledge them publicly, to give the stories more weight than idle gossip.

The visit was in December, before Mr. Gorbachev became the top leader but, it seems, doubtless after he was sure of the succession. One item on the program was a pilgrimage to the cemetery in Highgate where Karl Marx is buried. The Gorbachevs did not go. It was a blunder by the way. The reason was that Mrs. Gorbachev told them that the kind of small talk, the prime minister accepted the compliment stiffly. But Mrs. Gorbachev insisted on knowing where they were from.

Toward the end of the trip, after Mrs. Thatcher had left for a visit to China, they ordered their motorcade to stop at the blocked entrance to Downing Street. Mr. Gorbachev said he wanted to see the prime minister's residence again. He got out of the car and tried to argue his way past the barricades. At first the guards sarcastically refused to believe who he was, but then, flustered, they accepted the evidence. The Gorbachevs were thus given another private look around the house to examine the decor.

The best story starts at the formal dinner that Mrs. Thatcher gave for her Soviet guests early in the visit. Mrs. Gorbachev admired the diamond and sapphire earrings Mrs. Thatcher was wearing. Impatient with that kind of small talk, the prime minister accepted the compliment stiffly. But Mrs. Gorbachev insisted on knowing where they were from.

Finally, Mrs. Thatcher called over her husband, Denis, who had bought the jewels as an anniversary gift some years before, and asked him to tell Mrs. Gorbachev the name of the shop. It was Cartier.

A couple of days later the director of Cartier called Downing Street in some embarrassment. Mrs. Gorbachev and her cohorts were there demanding to see a pair of the same earrings. They were still in stock, but he wanted to know if the prime minister would have any objection to showing them in the surprising circumstances. She did not. Mrs. Gorbachev bought the earrings and paid with an American credit card.

Efforts to check the story drew a blank. At first Cartier was evasive; after a number of people called, it said it had reviewed its charge slips and found no record of a purchase by Raisa Gorbachev. The press office at Downing Street denied even hearing of the incident. "I don't even know if the prime minister wore earrings the night of the dinner," a spokesman said. Discretion was to be expected. It has not stopped continuing chukles in London's upper social set.

The incidents tell nothing about Mr. Gorbachev's policies and the positions he is likely to take in a meeting with Mr. Reagan. But they do give some clues to his personality and to his supreme self-confidence despite a minimum of contact with the West.

Mrs. Thatcher has said she was charmed by him. Instead of sticking rigidly to reading prepared papers during their official talks, in the usual Kremlin fashion, Mr. Gorbachev spoke to her from brief notes and responded to questions.

This is a new kind of Kremlin leader, neither wooden like the three of recent years nor impetuously earthy like Nikita Khrushchev. He is certainly Russian, but a departure from the stereotypes. He can deal with Western ways, despite the profound difference in ideas and attitudes.

It will take some adjustment by Americans, once he appears on the U.S. scene, to recognize that looking and acting familiar does not mean thinking along American lines.

The New York Times.

Crime: The Color of the Collar Counts

By William Safire

WASHINGTON — When G-men nabbed the late "Willie the Actor" Sutton after he had stolen some \$2 million in bank deposits during his lifetime, the disguise artist wound up spending 33 of his last 43 years in prison.

The Reagan Justice Department — made up of stern-faced law "order" types who meet at the local offices of criminals — has rounded up a gang at E.F. Hutton & Company that systematically bilked tens of millions of dollars out of 400 banks through a sophisticated swindle that made new breakthroughs in the state of the art of check kiting.

The perpetrators of the crime admitted their guilt in more than 2,000 instances of mail and wire fraud. "The object of the defendant's scheme and artifice to defraud was to obtain interest-free funds by means of intentional overdrafts," said Justice prosecutors triumphantly, demonstrating how the illegal "drawing against uncollected funds totaled more than \$1 billion, with daily overdrafts some times exceeding \$250 million."

That certainly makes the depredations of "Slick Willie" look like small change. Imagine: For more than two years a ring of at least a dozen and perhaps 50 stockbrokers, following a scheme concocted by a few modern criminal masterminds,

regularly shuffled rubber checks in and out of banks, bamboozling most bankers and intimidating a few who got wise.

What do you suppose is going to happen to the gang that enriched itself at the expense of the banks, which are owned mainly by small shareholders? Will the criminals be brought into court, to be photographed and shamed? Are the ring-leaders going to jail?

No. The corporation for which the perpetrators of the crime work merely has to give back the money it stole, and reimburse the Justice Department \$750,000 to cover the cost of its low-paid lawyers and accountants who broke the case. The court has imposed a criminal fine of \$2 million, the legal limit.

No personal disgrace for the perpetrators; no jail terms; not a slap on one individual wrist. Putting on his most severe look, Attorney General Edwin Meese had the chutzpah to announce: "This makes it clear to the business world that white-collar crime will not be tolerated."

On the contrary, the pretense that no human beings operate E.F. Hutton makes it clear to the business world that if your company is shot through with managers in-

involved in a huge swindle, not to worry — the Meese Justice Department will limit the liability to the corporation. And none of the guilty officers will have to pay.

What excuse does the Justice Department's Criminal Division have to offer for this deal that was never offered to such bank-robbing entrepreneurs as "Slick Willie"?

Albert Murray, the prosecutor in Scranton, Pennsylvania, who spent 18 months on the case, claims that naming and prosecuting individuals "could have taken us two to three years." That's a dandy reason for condoning white-collar criminals.

Justice officials in Washington have assured reporters that nobody in senior management was involved in the two-year, \$10-billion operation. That suggests a degree of hands-off management that stretches credulity. But even if this operation had been run by a stock clerk and a messenger boy, should they not be brought to justice?

Well, um, goes a further explanation, some witnesses were given immunity from prosecution in return for their testimony to the grand jury, and it would not be fair to prosecute a few when all the other immunized witnesses in E.F. Hutton offices got off.

What kind of abuse of immunity is that? Prosecutors are often required to let small fry off in order to get evidence against bigwigs, but the notion that immunity for some makes prosecution of others "unfair" is ludicrous. Says Mr. Meese: "We are as aggressive in the investigation and prosecution of so-called white-collar crime as [against] narcotics and organized crime." Based on the immunity whitewash and cozy plea bargain in this case, that is great news for the Mafia.

A far-reaching misjudgment was not a bare, which deserves a close look by the Senate Judiciary Committee. Faceless companies do not flick money from banks; people in those companies do. There is a situation in Hutton who beat the rap.

The New York Times.



The Killers Might Be Forestalled

By Jonathan Power

LONDON — While President Reagan had his hands full dealing with the aftermath of the Nazi extermination machine, the U.S. Senate has been preparing to decide whether to ratify the United Nations Convention on Genocide. And an organization called International Alert has been founded to campaign against mass killings. It is to be headed by Martin Ennals, the former director-general of Amnesty International.

The killing goes on. Since 1945, genocide has cost more lives than the millions of Jews exterminated by the Nazis. There have been massacres in Bangladesh, Cambodia, East Timor and several African countries.

International Alert has decided to make Uganda its first country of focus. With reason. Last year Elliott Abrams, U.S. assistant secretary of state for human rights, called the situation there "horrendous." Since 1981 between 100,000 and 200,000 people have been killed.

When Idi Amin was overthrown in 1979, there was hope that Uganda would return to normality. But mass murder has continued under Milton Obote. Some indicators, like the exodus of refugees, suggest that the situation is getting worse. In Marshal Amin's time there were only about 25,000. Today there are 300,000.

British officials and the Commonwealth secretariat argue privately that the U.S. estimate of deaths is too high. In any case, the land that Winston Churchill called "the pearl of Africa" and "an island of gentle manners" seems to be bleeding to death. President Obote made the mistake of using uncompromising tactics against what at first was only a relatively small number of dissidents. And when he transferred large numbers of underfed, underpaid troops to parts of the country unsympathetic to his administration, excesses became the order of the day. The government's troops often have sought revenge for past suffering that they endured at the hands of Amin forces.

All this enlarged the numbers and heightened the militancy of the opposition. International Alert proposes that outside organizations that have some influence on the Ugandan government, like the World Bank and the International Monetary Fund, urge the government to initiate a process of reconciliation. For a start, it should convene a round-table conference outside the country and invite representatives of the opposition.

A sense of defecism brought on by the scale of the horrors is one reason why so few manage to summon up enthusiasm for the campaign now being waged to persuade the U.S. Senate to ratify the UN Convention on Genocide. When there are such large-scale atrocities, what does international law or international protest mean? Who listens? The genocide convention has been in existence since 1948 but has never been used, even when there have been well documented cases of mass killings.

A basic weakness of the convention is that in the debates in the mid-1940s on the original draft the Soviets got their way on a key paragraph. They demanded the removal of the clause prohibiting genocide against political groups, on the theoretical ground that genocide was bound up with Nazi race theories. Race was the issue, they argued, not politics. Consequently the slaughter of political groups such as the Communists in Indonesia in 1965 or the political opponents of Pol Pot in Cambodia does not come within the terms of reference of the convention.

Another flaw is that provision for an international court to try perpetrators of genocide, modeled on the Nuremberg tribunal, was dropped.

In an ideal world the Senate would make its delayed ratification of the convention contingent on a strengthening of the terms of reference. At the very least it should consider mandating the U.S. administration to argue for the appointment of a UN high commissioner for human rights who would visit threatened areas in any early state of genocidal conflict and ring the alarm bells.

Forty years on, the lessons of the Holocaust are easily forgotten. Constant reaffirmation of our principles is needed. Ratifying and strengthening the genocide convention would be one way. Supporting International Alert would be another.

Mass killing will not be stopped by a voluntary agreement by an international legal convention. But at least they could raise the flag for civilization and make it more difficult for those who practice murder to escape the scrutiny of public opinion.

International Herald Tribune.

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LETTERS TO THE EDITOR

Look Who's Back in Play

In response to "In the Shadows of Sumner, Former Leaders Find a Spotlight" (April 26) by Joseph Fitcher:

I am appalled that sidelined ex-leaders, having been voted out of office, should set themselves up as an "InterAction Council." By what right do these private citizens try to influence government decisions? They should be reminded that they were voted out because the people of their respective countries did not agree with their decisions.

Let me assure your readers that any statement by former Prime Minister Malcolm Fraser, for example, would have little credibility in Australia. He was swept from office in 1983 by an enormous majority and he left the country with the largest unemployment figure in its history.

These men should not be allowed to strut and posture. If they have so much to offer, they should return to their countries and seek re-election.

KEITH R. HARDIE,
Caringbah, Australia.

About a Portland Poster

Regarding "Mayor in Oregon Makes Offbeat a Virtue" (May 8):

The poster "This Bud's for You" referred to Bud Clark's decision to discontinue sale of Budweiser beer because of Anheuser-Busch's opposition to the California bottle bill requiring deposit on bottles and cans. The Goose Hollow Inn had been famous for selling more Budweiser per square foot than any other tavern. The poster shows a smiling Bud Clark serving a beer clearly labeled Blüt Weinhard, the hometown brew.

EHRICK S. WHEELER,
Portland, Oregon.

Letters intended for publication should be addressed "Letters to the Editor" and must contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

The Killers Might Be Forestalled

By Jonathan Fierbringer

Deficit Cut Without Tax Rise Vowed by Head of House Panel

By Jonathan Fierbringer

WASHINGTON — Representative William H. Gray 3d, chairman of the House Budget Committee, has pledged that his panel will write a spending plan that will cut the U.S. deficit by more than \$30 billion in 1986 without raising taxes.

The Pennsylvania Democrat did not rule out a reduction in the cost-of-living increase in payments of the Social Security retirement program. But he said Sunday the committee would not cut so deeply into programs for the elderly as the Senate did in the budget outline it approved Friday.

The Senate's 1986 plan, which passed only with the tie-breaking vote of Vice President George Bush, cuts \$56 billion from the 1986 deficit that would result if no government programs were changed and if the current military buildup proceeded as planned.

Mr. Gray and his committee will begin to write their version of the budget this week. Members said that, based on informal discussions so far, their plan would hold military spending to a lower level than the Senate did, to offset some of the billions they want to restore for the elderly and other domestic programs.

That would set up a major confrontation with the White House and the Republican-controlled Senate, which have already agreed to hold military spending to 1985 levels plus an allowance for inflation. They have said that any at-

tempt to make further cuts would mean there would be no budget.

Both houses must approve a single overall budget resolution that sets general targets for spending and taxation in the fiscal year that begins in Oct. 1. The budget is then used as a guide to legislation that actually appropriates funds for government activities.

Mr. Gray said on a television news program, "What I am prepared to pledge Sunday is that we will come out with a spending-reduction plan that will be over \$30 billion. We are not going to raise taxes at all."

On Social Security, he made no promise to reject the changes included in the Senate plan. "I can't say what the Budget Committee or the House is going to do. But I can tell you one thing, we're probably not going to do what the Senate did to senior citizens."

The Senate proposes to eliminate the cost-of-living adjustment for one year and to cut projected spending on Medicare, the health insurance for the elderly, by \$16.3 billion over three years.

Opinion on tax increases and Social Security is divided in the House. The Democratic leader, Jim Wright of Texas, supports the idea of a minimum tax on corporations while other leaders, including House Speaker Thomas P. O'Neill Jr. of Massachusetts, will not consider one unless President Ronald Reagan proposes it.

Mr. O'Neill is also opposed to any limit on the cost-of-living increase for Social Security, while

other Democrats, including Mr. Gray, will not rule that out.

Representative Charles E. Schumer, a New York Democrat on the Budget Committee, said the House faced a difficult task in matching the Senate's \$56 billion of savings in 1986 and nearly \$300 billion over three years.

"We'll be lower than the Senate on defense," he said. "But I can't see the votes for a Social Security cost-of-living freeze and I don't think we'll terminate these 12 programs."

The Senate's plan holds military spending to the 1985 level, increasing the budget only enough to make up for inflation. That is far less than the 6-percent increase, in addition to one to make up for inflation, that the president initially requested.

Assuming even lower military spending than the Senate approved, but not the Social Security freeze, members said the House committee appeared to have informally agreed on about \$45 billion of savings in 1986.

Reagan to Fight for Budget President Reagan will fight for the Senate-passed budget "man by man and woman by woman" as it comes up for a vote in the House, his spokesman, Larry Speakes, said Monday in Washington. The Associated Press reported.

"I don't see him giving at all on defense," Mr. Speakes said. "We'd like to hold it as is. That's really for us the bottom line."



PHILADELPHIA SIEGE — Two men work on a bunker atop a rowhouse occupied by a radical, back-to-nature group, MOVE. Police used water cannon Monday to try to enforce an eviction order. Shots were fired from a building but no one was hurt. A policeman was killed in a 1978 shootout between the group and police.

Soviet Exports Tripled To Nicaragua in 1984

By Theodore Shabad

New York Times Service

NEW YORK — Nicaraguan imports from the Soviet Union tripled last year as the Sandinista relations with the United States deteriorated, recent Soviet foreign trade statistics show.

As a result, Nicaragua has now emerged as the second most important Latin American recipient of Soviet goods, after Cuba. Previously, Brazil was Moscow's second-best customer in the region.

The Reagan administration imposed a trade embargo on Nicaragua on May 1, calling the leftist Sandinista government a security threat.

The embargo and the subsequent visit to Moscow and other Soviet-bloc capitals by President Daniel Ortega Somoza has raised expectations that the Sandinistas will move even closer to Moscow economically.

According to the Soviet monthly magazine Foreign Trade, 1984 exports to Nicaragua were 138 million rubles, three times the 1983 level of 42 million rubles.

Ruble-dollar conversions are difficult because of fluctuating exchange rates, but the Soviet exports to Nicaragua last year had about twice the value of shipments from the United States to Nicaragua.

There were virtually no Soviet imports from Nicaragua. The Soviet Union appears to have surpassed the United States as a supplier of chemical fertilizer, machinery, motor vehicles and other capital goods to Nicaragua. These commodities predominated in U.S. shipments to Nicaragua under the dictatorship of Anastasio Somoza and in the first years after the Sandinista takeover in 1979.

Last year, according to the Commerce Department, there was no machinery in the six leading categories of U.S. exports to Nicaragua, which ranged from insecticides to paper and oil products.

The Soviet Union has yet to publish a detailed breakdown of 1984 trade. In 1983, it sent aircraft, road-building machines and motor vehicles to Nicaragua. In return, it took

traditional Nicaraguan exports — coffee, cotton and cane sugar.

Moscow reported virtually no trade with the Somoza government. In 1980, the first year of trade, Moscow's exports were limited to about \$100,000 worth of publications.

The U.S. embargo against Nicaragua has evoked parallels with an embargo against Cuba in 1960 and Cuba's subsequent drift into the Soviet orbit.

Caribbean 'Concern' Foreign ministers from 13 Caribbean countries have expressed "deep concern" over the embargo by the United States on trade with Nicaragua and have urged a return to dialogue between the two nations. The Associated Press reported.

Their concern was expressed in a communiqué issued at the conclusion Saturday of the 11th annual meeting of foreign ministers of the Caribbean Community and Common Market, or CARICOM, in Basseterre, St. Kitts and Nevis.

Ortega Arrives in France President Ortega arrived Monday in France to seek support against the U.S. trade embargo. Reuters reported from Paris. Mr. Ortega has just visited Spain after completing a tour of Eastern Europe aimed at securing economic aid and credit.

The home of Burberrys Paris, since 1909 (Near the Madeleine)



The full range of traditional Burberrys Men's, Ladies & Children's clothing. Burberrys 8, bd Malesherbes Paris 8 - 266.13.01

CIA Denies Link to Bombing in Beirut

Agency Also Rejects Charge It Trained Counterterrorists

The Associated Press

WASHINGTON — The Central Intelligence Agency denied Monday reports that a CIA-trained group in Lebanon was responsible for a car bombing in Beirut in which more than 80 persons were killed.

The CIA "never conducted any training of Lebanese security forces related to the events described" in an article in Sunday's editions of The Washington Post, according to a CIA spokeswoman, Patti Volz.

"It also had no foreknowledge of the Lebanese counterterrorism action mentioned in the article," she said. The Post, quoting unidentified sources, reported that President Ronald Reagan approved a plan late last year directing the CIA to train foreign teams to make pre-emptive strikes against terrorists. The plan was rescinded after members of the unit hired others to set off, without CIA approval, the car bomb that killed more than 80 people March 8, the sources said. The target, a suspected terrorist leader, escaped unhurt.

Responding to complaints from some members of Congress that they had not been informed about the alleged operation, Mrs. Volz said the agency "scrupulously observes" its commitment to keep congressional oversight committees informed of agency activities.

The White House and State Department refused to discuss the substance of the story.

"That's our policy, of not commenting on any alleged intelligence matter," the White House spokesman, Larry Speakes, said Monday.



Patrick J. Leahy

"We point out that we do not undertake any activities — have not — that are inconsistent with the law and we meet our obligations under the law to report to Congress."

Lebanon's ambassador to the United States, Abdullah Bombah, said he had not been told of any U.S. involvement in the attack. He said he had assumed that the bombing was the work of a dissident Shiite faction.

Senate Probe Is Begun

Bob Woodward and Charles R. Babcock of The Washington Post reported earlier. Senator Patrick J. Leahy, deputy chairman of the Senate Select Committee on Intelligence, said

Sunday that he had begun an independent inquiry into a half-dozen CIA operations, including the counterterrorism program in the Middle East that was canceled after the unauthorized car-bomb explosion.

Mr. Leahy, a Vermont Democrat, said he wanted to know more about several sensitive operations and that he was seeking more details on others about which he felt the committee was not fully informed.

"We're going to review six to seven operations on our own," he said. The senator said he did not know of the counterterrorism plan in Lebanon. But when he was asked about it last month, he said, he made inquiries "and found out about it on my own." He refused to give further details.

By law and by agreement with the Reagan administration, the chairman and deputy chairman of the Senate and House intelligence committees are to be informed of all covert CIA activities. An administration source insisted that the committees had been fully informed, both orally and in writing, of all covert or otherwise sensitive operations.

"Things have fallen between the cracks," Mr. Leahy said. "I do not want my side to get caught on a Nicaraguan-mining type problem."

Senator Leahy said he felt that the CIA chief, William J. Casey, and other agency officials were willing to answer the committee's questions about any matter, but that nothing was volunteered if the questions were not framed exactly.

Bitburg Visit Hurts German Tourism

Reuters

HAMBURG — Thousands of Americans have canceled vacations in West Germany following President Ronald Reagan's controversial visit to the German war cemetery at Bitburg on May 5, Kaut Blattermann of the German tourist

promotion center in New York said here Monday.

He said that "the cancellations, mainly by Jews and World War II veterans, resulted in hotels losing at least 200,000 overnight stays from Americans."

Ex-Chief of CIA Assails Bureaucratic Infighting

By Charles R. Babcock

Washington Post Service

WASHINGTON — Admiral Stansfield Turner, director of the CIA during the Carter administration, describes the U.S. intelligence agencies in a new book as being plagued by bureaucratic infighting that harmed the country.

In the book, "Secrecy and Democracy, the CIA in Transition," Admiral Turner is also critical of the Reagan administration for its increased use of covert action around the world.

Admiral Turner saved his harshest words for what he called the Reagan administration's arbitrary efforts to censor his book. He said it made more than 100 deletions of material it termed classified.

In one instance of infighting, Admiral Turner wrote, Vice Admiral Bobby Ray Inman, head of the National Security Agency, withheld from the Central Intelligence Agency important information about the Soviet Navy.

"The loser was the United States," Admiral Turner wrote.

Admiral Turner said that Defense Intelligence Agency officials were pressured to produce reports that supported defense programs. The tug-of-war extended to the White House, he said, where officials put pressure on the CIA to produce reports that would help the president politically.

President Jimmy Carter's White House was "repeatedly insensitive" to the "importance of protecting the apolitical credibility of intelligence," he wrote. He said that Zbigniew Brzezinski, Mr. Carter's national security affairs adviser, once asked Admiral Turner to do "dirty" information on the Middle East that would help Mr. Carter.

Of the Reagan administration, Admiral Turner said its model of intelligence seemed to be the Office of Strategic Services, where William J. Casey, the current CIA di-

rector, worked during World War II.

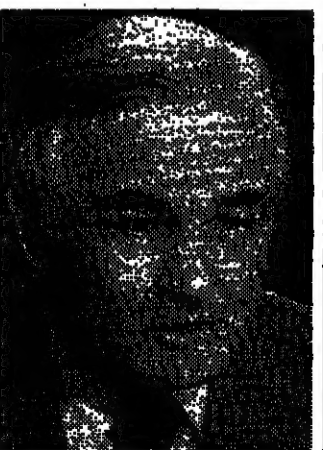
"Almost any covert action to help win the war was considered acceptable, and the more the better," he wrote, but he said this attitude in peacetime "was a serious mistake."

The book calls the mining of Nicaraguan ports by the CIA under Mr. Reagan a violation of principles governing the agency and of a law requiring congressional control of the U.S. intelligence services.

Admiral Turner acknowledged that the Carter administration used covert action, too. By the end of Mr. Carter's term, he said, a "wide variety of covert operations were in place" because of the administration's "cumulative frustration" about Soviet adventurism in Africa and Afghanistan, the fall of the Shah of Iran and the taking of American hostages there.

Admiral Turner defended his emphasis on technical collection systems over spies and his decision to cut 820 positions from the CIA's clandestine service in 1977.

"We must never allow the Soviets to counter our technical collection capabilities," he said. "We have grown utterly dependent on

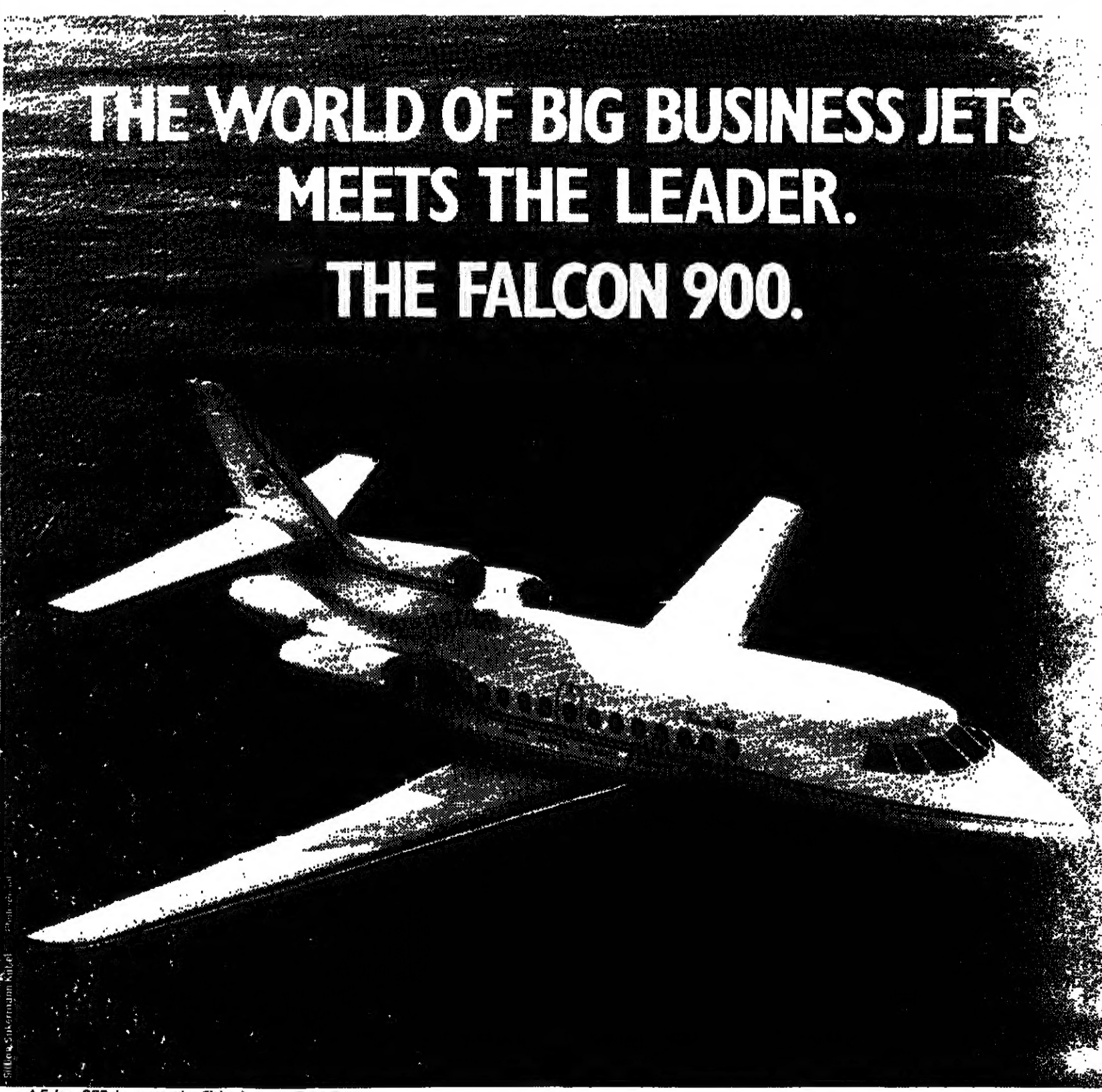


Admiral Stansfield Turner

them, and in many applications no amount of human spying can possibly be a substitute."

Admiral Turner said the intelligence agencies' mishandling of a report that there was a Soviet combat brigade in Cuba was more damaging than their failure to predict the fall of the Shah of Iran.

Earlier warning of the Islamic revolution would not have saved the Shah, he said, but negative publicity over the Soviet brigade played a direct role in blocking ratification of the second strategic arms control treaty. It turned out that the "brigade" had been in Cuba for nearly 20 years.



A Falcon 900 demonstration flight, January 15, 1985.

The Falcon 900 demonstrates leadership qualities in every important respect. First, it offers an extraordinary level of passenger comfort. All passengers who flew in it are unanimous to praise the quietness and comfort amenities of a very large cabin (2.34 m wide over 10 m long and 1.87 m headroom).

The Falcon 900 is a Leader in performance, too. With an effective range of 7,000 km (carrying 8 passengers and NBAA IFR reserves), it can easily fly from Paris to New York, from London to Abu Dhabi, from Tokyo to Jakarta. And the Falcon 900 can climb directly to 39,000 ft which puts it above international commercial air traffic. The Falcon 900 can cruise at up to Mach .85 (904 km/h) and has been flown at 94% of the speed of sound in test flights.

The Falcon 900 is also the Leader in efficiency. For long range operation, take-off weight is 20 tons, 10 tons less than its closest competitor under the same conditions and with the same

payload. Thanks to its latest-generation Garrett engines, its excellent aerodynamics and lighter weight, the Falcon 900's fuel consumption is record-breaking low: some 1/3 less than the above competitor, whose engine consumes almost as much fuel when idling on the runway as that of the Falcon 900 when cruising at Mach .80.

These figures highlight the sophisticated aerodynamic design of the Falcon 900, utilizing Dassault computer technology developed for the famous Mirage fighters — an experience that's unique among producers of business jets.

The Falcon 900 also scores first for safety. In the unlikely event that one engine should fail, the remaining two can easily supply the requisite thrust and maintain operation of the aircraft's critical systems. This level of security obviously cannot be matched by twin-jet aircraft, either now or in the future, whatever the developments in international regulations.

If you would like to know more about the

Falcon 900, please contact us for full information. It will be our pleasure to introduce you to the new Leader in the world of business aviation — the Falcon 900.

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For Now, Space Defense Planners Say, Their Reach Exceeds Technology's Grasp

By David B. Ottaway

Washington Post Service

WASHINGTON — The Reagan administration's office in charge of research for the space-based defense project has concluded that the dream of exotic, orbiting battle stations firing powerful laser beams to knock out Soviet missiles and warheads is beyond America's technological reach for the foreseeable future, according to scientists directing the research effort.

The Pentagon's Strategic Defense Initiative Organization, the formal name for the office conducting the research, has all but excluded use of lasers, X-rays and particle-beam weapons, at least for the "first generation" of any space-based missile defense system the administration may decide to build, the scientists say.

Instead, it intends to rely on ki-

netic-energy weapons like "smart rocks," or projectiles that home in on the heat produced by warheads, and "railguns," devices that use electromagnets to accelerate a projectile along a rail to thousands of miles an hour.

The implications of the office's thinking — that two separate generations of a space-based missile defense system may be necessary — are likely to fuel the arguments of critics who have questioned the huge cost and the technological possibility of meeting the goals originally enunciated by President Ronald Reagan for the program, popularly known as "star wars."

Those goals are to "render nuclear weapons obsolete" and provide a shield for U.S. population centers.

The first generation of the space-defense system "doesn't necessarily mean big battle stations in space," said Dr. Louis Marquet, director of the program's directed-energy research. "It may be something more prosaic than that."

Interviews with five top officials in the SDI organization suggest that pressures of time and political necessity are pushing proponents of the space-based defense system to resort to the most immediately available "off-the-shelf" technology. This is a tactic first proposed by High Frontier, a private group that was one of the early advocates

of space defense against Soviet missiles.

The "first generation" of weapons for the space-based defense system, according to the officials in the SDI office, would be an extension basically of the technology used in a successful experiment in June in which the army fired a ground-based maneuverable non-nuclear missile at an incoming dummy warhead and succeeded in hitting it more than 100 miles (160 kilometers) into space.

Lieutenant General James A. Abrahamson, director of the program, indicated in a recent interview that several breakthroughs had been achieved in research on a space-based "kinetic kill vehicle," known as a "railgun," which would shoot high-velocity projectiles to destroy Soviet missiles in the first phases of their liftoff from Earth, or to "kill" warheads later in mid-course flight.

Despite much uncertainty regarding the practicality and cost of the project, General Abrahamson expressed confidence that research would be far enough advanced by the early 1990s for the next administration to make an initial decision at least on whether to go ahead with the development phase of a first-generation system.

But he also said that one of the three key factors in making that judgment would have to be what he

called the "political dimension." This, he said, is where "people look at the world situation as a whole and see that, yes, this is the first of a series of steps that we're all confident now will indeed lead to greater stability."

The other two, he said, were the technical feasibility and cost of the project. He made no mention of the issue of "survivability," whether the components of a space-based defense would be vulnerable to attack themselves. This has been central to the arguments of many critics of the project.

The growing conviction among top officials in the project that the use of lasers will remain beyond U.S. technological reach for many years was most clearly reflected in the comments of Dr. Marquet, the project's directed-energy beam expert.

"I don't support directed energy for interception of boosters," he said, referring to the initial boost-phase of a rocket. "We've got a simpler way to do it with kinetic-energy weapons."

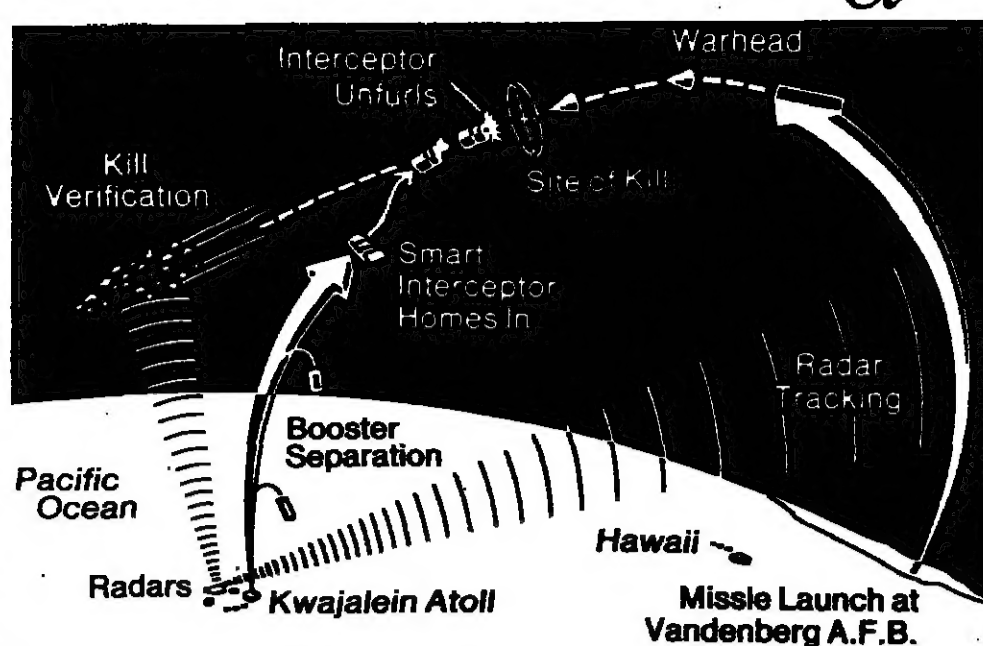
"Right now, if you throw a 10 kilometer-per-second smart rock at a booster you are going to kill it. I don't believe directed energy is a competitor."

Kinetic energy is the energy released when one moving object crashes into another. Directed-energy weapons are those that employ a tightly focused and precisely directed beam of intense energy in the form of light or atomic particles.

James Jonson, director of the SDI's science and technology office, concurred with Dr. Marquet, saying "smart rocks" were cheaper than lasers. However, it is unclear whether "smart rocks" could be used against a rocket taking off because it is unknown whether the high-velocity projectiles could be shot downward through the atmosphere without burning up.

"My guess is it's technically possible," Mr. Jonson said. "We'll know in a couple of years."

The focus of hopes in the project's office for coming up with a workable "first-generation" system



This diagram illustrates how one kind of kinetic energy weapon would work. A lethal "umbrella" enlarging the missile's diameter unfurls just before impact. In a successful experiment held last June, a nonnuclear missile hit an incoming dummy warhead in space.

is a combination of the electromagnetic railgun firing some version of the "smart rock."

General Abrahamson, in illustrating the SDI plan, turned on a slide projection of the railgun. It is a cylindrical object 150 feet (about 45 meters) long, consisting mainly of electrical coils used to generate an electromagnetic force. The force is capable of shooting a small projectile into space at the speed of 20 to 30 kilometers per second.

The air force officer said that 10 prototypes of the weapon have been built for experiments in the United States and that a "world breakthrough" in railgun technology was achieved in November when one of them fired multiple shots of tiny projectiles.

The main technological problem, he said, was building switches capable of handling huge jolts of elec-

trical current needed to fire the weapon. He said switches on experimental railguns were operating at two million amperes and, he said, "we have to be able to demonstrate that we can get just about double" that.

"Some of our betters have to understand that's the issue," General Abrahamson said. "It's not, 'Can you put that thing in space,' but the issue is, 'Can you fire this

thing at these current levels' of electrical power generation."

General Abrahamson makes clear that generating enough electricity to fire such a space-based gun is not the only problem to be resolved.

The Homing Overlay Experiment of last June fired an interceptor that weighed about 2,500 pounds (about 1,140 kilograms). But the projectile that General

Abrahamson says the SDI organization's has in mind "to make it practical" would have to weigh seven to eight pounds. The general has a model of such a "smart rock" on his desk to show visitors.

The Pentagon is planning 15 major experiments of various possible components of a space-based missile defense system.

These experiments are being designed, the Pentagon says, so they will not violate the 1972 Anti-Ballistic Missile Treaty with the Soviet Union, which forbids tests of any components of an anti-missile system. Critics of the administration's plans say that these plans violate the treaty, and that the Soviet Union will certainly consider them violations.

Another unresolved issue is the cost-effectiveness of a defensive system. Dr. Marquet estimates that the United States would need about 20 defensive rockets for each of the 1,400 Soviet long-range, land-based offensive missiles, or roughly 28,000 "smart rocks."

This advantage is needed largely because the satellites, or railguns, would be constantly rotating around the Earth, each one passing over the targeted Soviet site for only a few minutes on each orbit. High Frontier has argued that 432 satellites would be required to keep the Soviet missiles constantly under surveillance.

Dr. Marquet, unlike General Abrahamson, talks less of railguns firing the "smart rocks" than cheap, light orbiting space "platforms," which he described as "a little rocket launcher with a telephone on it." The telephone would be a processor of information to guide the smart rock.

Guam Is Pressing U.S. for Autonomy

Islanders Feel Neglected, Frozen in World War II Image

By Bill Peterson

Washington Post Service

WASHINGTON — While President Ronald Reagan was in West Germany last week commemorating the 40th anniversary of the end of World War II in Europe, Ricardo J. Bordallo, the Democratic governor of Guam, was complaining that Washington had never given his island the attention it deserves.

"There's been a tremendous neglect," Mr. Bordallo said. "We see the economies of the enemy — Japan and Germany — restored and in robust health. Yet we are part of the American family, and there's never been a plan, never a program for our people."

"When V-J came, they forgot all about us and packed up and went home," he said. "Much of our infrastructure is still what was left by the military in World War II."

Mr. Bordallo was in Washington to lobby for a change in status for Guam. Except for three years of Japanese occupation in World War II, the island has been under U.S. control since the Spanish-American War in 1898. It is the largest and southernmost of the Mariana Islands, 32 miles (about 51 kilometers) long and about 4 to 10 miles wide.

Since 1950, Guam has been an "unincorporated territory," and its people are American citizens. Now it wants to become the Commonwealth of Guam and be granted some autonomy.

Guam, controlled by outside powers for 300 years, voted in 1982 to seek commonwealth status rather

than independence or statehood, and it began writing a "commonwealth act" last year. Mr. Bordallo circulated the fourth draft of the act among congressional leaders last week. The act would give Guam, flooded with refugees after the Vietnam War, control over immigration and commercial air traffic and a veto over establishing any new security zones or basing foreign troops on the island.

It would return about half of the land controlled by the Defense Department, which maintains naval and air force bases there, to the local government.

It also would establish a payment plan similar to the District of Columbia and would provide certain U.S. benefits to which recipients have a legal right, such as Social Security pensions.

The act must be approved first by Guamanians, then by Congress. Mr. Bordallo said that he has encountered no outright opposition

in Washington but that it was difficult to lobby here for a Pacific island 9,000 miles away. He said some members of Congress had asked him, "Where is Guam, anyway?"

Mr. Bordallo said that he believed that Guam, the site of a major World War II battle, had contributed more than its share to U.S. defense. Of the island's 110,000 residents, 10,000 are U.S. military veterans.

"Very few people know about our history," Mr. Bordallo complained. "We're stuck in a time warp, a World War II image. Everyone remembers us as the place where the marines landed and the bombers flew off to bomb the Japanese."

Times have changed, however. Eighty-five percent of tourists visiting Guam are Japanese.

"We're bringing U.S. dollars in through the back door, and nobody realizes it," he said.

U.S. Physician Says Heart Implants Have Not Yet Been 'That Successful'

The Associated Press

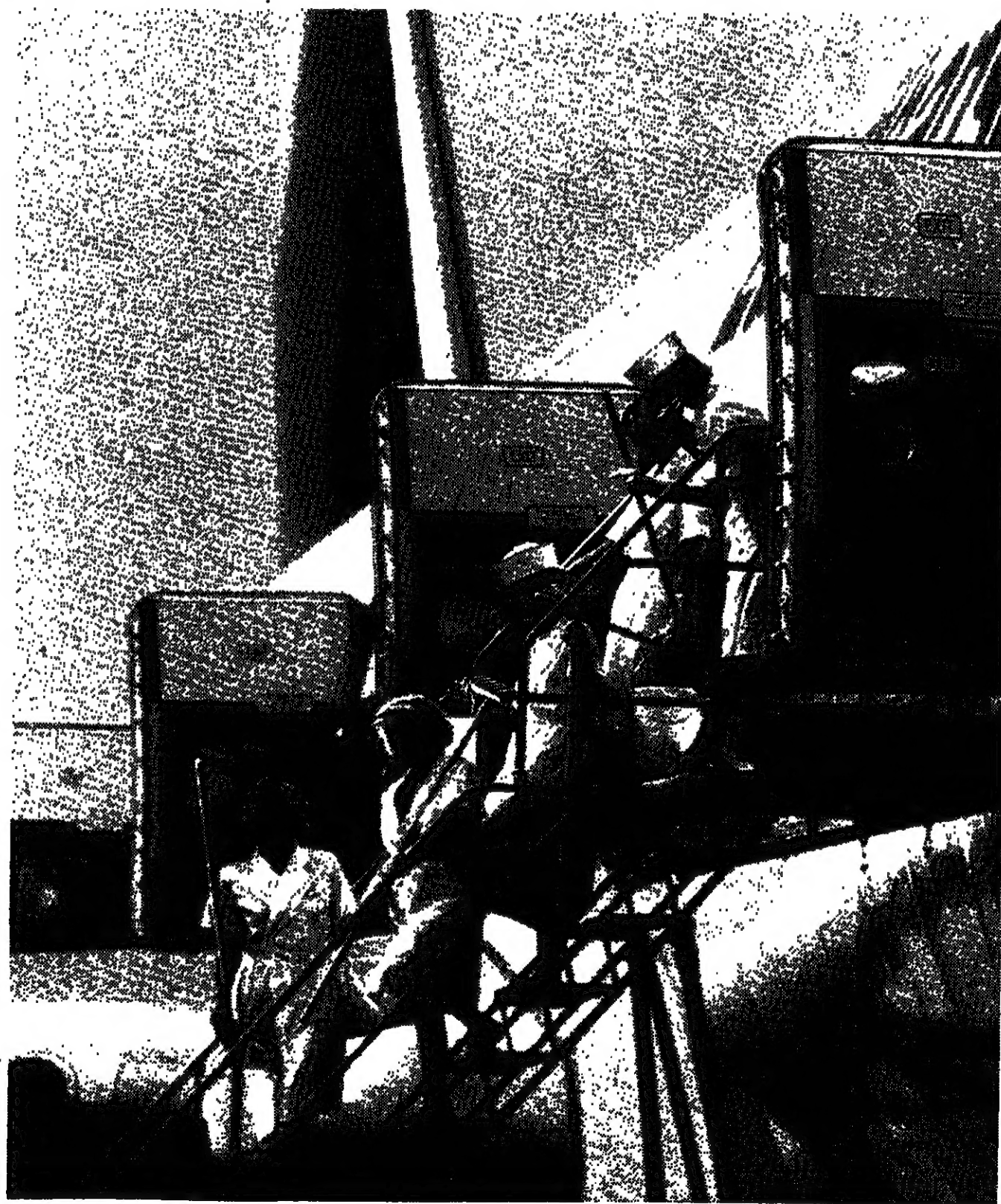
NEW YORK — The head of the world's leading artificial heart implant program says that the implants have "certainly not been that successful" and will be a failure if they prolong but do not improve recipients' lives.

"We hope that eventually, mechanical heart disease will be much less severe than human heart dis-

ease," Dr. Allan Lansing, medical director of Humana Heart Institute International in Louisville, Kentucky, said Sunday on ABC-TV. "But at this point, it has certainly not been that successful."

But Dr. Lansing said, "If I have something to live for and the mechanical heart is the only possibility of my achieving it, then I would certainly take a mechanical heart."

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Gromyko, Shultz Will Try to Clarify Earlier Talks

By Dusko Doder
Washington Post Service

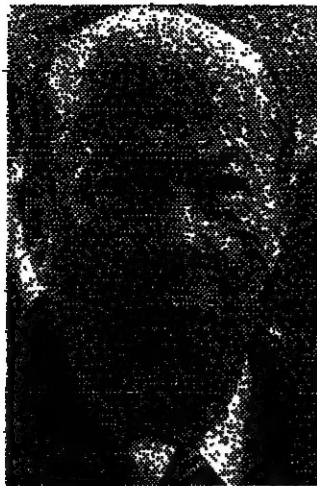
MOSCOW — Foreign Minister Andrei A. Gromyko was expected to leave Moscow on Monday for Vienna and talks with George F. Shultz, the U.S. secretary of state, on issues that are continuing to

NEWS ANALYSIS

frustrate improvement in Soviet-American relations.

The talks Tuesday are expected to deal with two main and interrelated issues. One is the agreement the two men reached at their last meeting in January that opened the way for a resumption of nuclear arms talks. The other is a prospective meeting in September between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev.

Sources in Moscow say that, barring unforeseen developments, Mr. Gorbachev is certain to travel to New York for the United Nations General Assembly session in September and that he is likely to meet with Mr. Reagan. But the substance of the meeting, according to political observers, will be determined at the next round of the



George P. Shultz

Geneva arms talks, which is to begin later this month.

Mr. Gorbachev has expressed strong disappointment with the first round of the Geneva talks. He has raised doubts about Washington's interest in reaching an agreement and has accused the Reagan administration of "violating" the Shultz-Gromyko agreement, providing for an "interconnection" between the talks on space weapons

and those dealing with strategic and medium-range nuclear arms.

In his latest speech, Mr. Gorbachev stated that a significant improvement in Soviet-American relations could be achieved "if tangible success is achieved" at Geneva.

As a result, Mr. Gromyko and Mr. Shultz are expected to try to further define their January accord. Soviet officials convey the impression that failure to adequately clarify the interrelationship between the three sets of talks would render them meaningless.

The Soviet Union's concerns appeared Sunday in Pravda, which renewed allegations of U.S. violations of arms agreements that had a negative impact on "the whole spectrum" of relations.

Specifically, the authoritative daily charged that the Reagan administration was flouting the 1972 anti-ballistic missile treaty by going ahead with the president's Strategic Defense Initiative, popularly known as "star wars." The commentary seemed to be a response to similar charges made by Mr. Reagan Friday in Lisbon at the end of his European tour.

The two sides have also traded charges on other issues in recent



Andrei A. Gromyko

weeks, particularly in connection with celebrations of the 40th anniversary of allied victory over Nazi Germany.

But the main question remains whether the two sides are prepared to make concessions on tangible issues for the sake of a constructive dialogue in Geneva and the prospect of improving relations.

It will be up to Mr. Shultz and Mr. Gromyko to look for ways of

avoiding a deadlock. Sources in Moscow are unwilling to predict the outcome of the Vienna session. An exchange of messages between Mr. Gorbachev and Mr. Reagan earlier this week engendered some optimism, however.

The Soviet position in Geneva is still somewhat ambiguous. It could not be determined, for instance, whether the Russians had proposed a 25-percent cut in strategic missiles during the first round of talks or whether Mr. Gorbachev's statement to that effect referred to an earlier Soviet offer.

But it is widely accepted that Mr. Gorbachev's main preoccupation is to modernize the Soviet Union's economy, which leaves him with little choice but the pursuit of better East-West relations.

If Mr. Gromyko and Mr. Shultz manage to find a modicum of common language on the arms question, the prospective September meeting could mark a turning point in Soviet-American relations.

Failure of the meeting in Vienna could lead Mr. Gorbachev and his entourage to scuttle the prospective meeting and instead use the New York visit to exert pressure on the Reagan administration by beginning a spectacular peace offensive.



VIETNAMESE RESETTLEMENT URGED — Poul Harting, the UN High Commissioner for Refugees, on Monday visited the Bowring camp for Vietnamese refugees in Hong Kong. He later urged Britain to aid Hong Kong by resettling more refugees.

Consensus Is Growing Among European Allies That SDI Will Leave Them Vulnerable to Soviet Attack

(Continued from Page 1)

suffice to increase European security because the United States would be more willing to aid its allies in a war.

In this view, the current U.S. "nuclear guarantee" is a poor promise at best. The belief is that no American president would order a nuclear strike to defend Bonn or Paris when to do so would mean the destruction of American cities.

Gerald Frost, director of the Institute for European Defense and Strategic Studies in London, said: "With the risks to America reduced by a system of defense, the policy would become more credible."

The counterpoint to this view is that a space-based defense might foster isolationism in that the United States, according to some analysts, this fear, whether real or imagined, might be enough to split the alliance.

Beyond the technical question of whether their land can be defended lies another contentious issue for Europeans: whether U.S. and Soviet space shields would render "imminent and obsolete" not only American and Soviet nuclear missiles but Europe's as well. The question is of special moment for Britain and France, which have their own nuclear arsenals.

Here raw numbers are viewed as critical. The Soviet Union, with its large number of missiles and war-

heads, might easily overwhelm European ground defenses, while the more limited arms of the French and British might pose a weak threat in return.

Pride and prestige are at stake as well as military might. One fear of the French and British is that their status as world powers would be lost by a switch to expensive systems of space-based defense beyond the means of their budgets.

"The nuclear game is the last opportunity for France to be a major power," said a French official. In his view, nuclear deterrence has worked. France has played a role in that strategy and it, in turn, has enhanced France's status.

Colonel Alford, of the International Institute for Strategic Studies, said: "Europeans actually tend to like nuclear weapons. They don't say we want more and more of them, but they say it is nuclear weapons on the whole, their existence, the fear they induce, which has made it impossible to contemplate war."

Over the years, Europe has stockpiled nuclear weapons mainly to counter the numerical superiority of conventional forces in the Warsaw Pact, although a recent goal has also been to reply to deployment of Soviet SS-20s.

Most recently, NATO countries have started to deploy cruise and Pershing-2 missiles, while the Brit-

ish and French have embarked on expensive programs to upgrade nuclear missiles on their submarines.

Skeptical of space-based defenses, European leaders have tended to cautiously back the research while objecting to testing and deployment of defensive arms.

In October 1983, the North Atlantic Assembly, which is composed of legislators from NATO countries, reluctantly endorsed Mr. Reagan's research proposal.

"However undesirable some feel an American ballistic missile defense system would be," the statement said, "the presence of solely a Soviet system would be still less desirable. Thus, while Soviet missile defense research continues, there is every reason for American research to continue also."

But last spring France publicly disparaged both the strategic goals and the research. At the Geneva disarmament conference of the United Nations, its ambassador, François de La Gorce, said defensive weapons in space "could threaten the stability, and thus the peace, that has resulted so far from the invulnerability of the means of nuclear response."

He added that Mr. Reagan's announcement alone of the intention to go forward with the research "constitutes in itself a spur to redouble the effort to build offensive

systems" as a way to try to defeat any possible defense.

The British reaction was cool and legalistic. In a quiet pro quo, Mrs. Thatcher agreed to support the research in exchange for Mr. Reagan's agreement to four points: the Western aim must not be to

"The military gain for Europe is almost zero," said a French official. "We don't believe for a moment that it is useful."

achieve superiority; deployment of a space-based defense system would be a matter for negotiation; the overall aim must be to enhance, not undercut, deterrence; and East-West negotiations should aim to reduce levels of offensive arms.

In March, Sir Geoffrey Howe, the British foreign secretary, raised the level of tacit criticism by cautioning that "we must make sure we are not developing what might prove to be only a limited defense against weapons of devastating destructive force." In a major speech, he listed a host of questions and implied that answers to them might prove disappointing.

Sir Geoffrey's speech was made in the opening week of negotiations in Geneva between the United States and the Soviet Union, and it

was criticized by Reagan administration officials and others.

In West Germany, initial reaction to the Strategic Defense Initiative was negative. In April, Defense Minister Manfred Wörner said the strategic goals "would lead not to stability, but just the opposite."

But Mr. Kohl, in a speech to the West German parliament, gave a warm endorsement to space defense research. He said his government would "not let itself be rushed" into a decision but generally favored taking part in the program.

On March 26, Defense Secretary Caspar W. Weinberger formally invited the allies to join in the research. He set a deadline for response of 60 days. The offer was widely characterized by West European officials as an ultimatum and viewed as a loyalty test.

A West German official said, "Your country can do the job exactly by itself. So what it is really looking for is political support."

Mr. Weinberger eventually backed down on the deadline, but

debate on the cooperation issue has heated up.

The main reason is that Europe feels it lags badly in high technology and sees the space defense research as one way to catch up. Areas of application of the \$26 billion research program are likely to include computers, optics, electronics, metallurgy, materials science and space transportation.

The head of the research program, Lieutenant General James A. Abrahamson of the air force, told a group of U.S. military contractors in April that he was "fully confident our allies will be able to participate."

He added, "They will be bidding, in some cases, against you."

Although intrigued, many West European companies have voiced reservations. Fears include a scientific "brain drain" to the United States and Pentagon controls on the flow of technologies. According to company officials, the Pentagon might want to limit the exchange of techniques between American and European researchers and to inhibit the export of military technologies by Europeans.

But there was no such paragraph, and President François Mitterrand took the occasion to reject the U.S. invitation to take part in the research.

The immediate issue for countries other than France is whether

companies might be able to work on such Pentagon projects as the quest for high-speed integrated circuits, he said. "These are going to be used in SDI and everywhere else," Mr. Heisbourg said. "They have tremendous promise, but the program is completely closed to the allies. There's no access."

Partly in response to such concerns, the French government in April proposed the founding of a European Research Coordination Agency, or Eureka. The agency would conduct peaceful scientific research in areas similar to those of the U.S. research.

So far the French proposal has not gained much European support.

A European alternative to the U.S. space defense plan is the last thing desired by American officials. Originally, they hoped for a firm endorsement of the research plan at the Bonn summit meeting. Besieged by questions and hesitation, especially from the British and French, administration officials then said they would settle for a vague supporting paragraph in the final communiqué.

But there was no such paragraph, and President François Mitterrand took the occasion to reject the U.S. invitation to take part in the research.

The immediate issue for countries other than France is whether

to accept the U.S. invitation. West Germany is widely considered likely to take part. Mr. Kohl said that joining in the research could increase Bonn's influence on questions of deployment and strategy.

But Karlens Voigt, the foreign policy spokesman for the opposition Social Democrats, dismissed Mr. Kohl's position as naive. "To participate in the research is to endorse the politics," he said.

By all indications, European officials want nothing to do with the actual deployment of space-based defenses. Governments fear that — for Europe — space arms would be useless and costly.

Argentina Assails Falklands Airport

Reuters

BUENOS AIRES — The Argentine Foreign Ministry has warned it will take "pertinent international action" against the opening of an airfield opened Sunday by Britain on the disputed Falkland Islands.

Argentina, which has maintained a state of hostility with Britain since the end of the war over the islands in 1882, said Sunday the construction of the airport was an act of aggression. It has said it will use peaceful diplomatic efforts to recover the islands.

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TELECOMMUNICATIONS

A SPECIAL REPORT

TUESDAY MAY 14, 1985

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Monopolies Of Europe PTTs Put In Question

By Amiel Kornel

PARIS — European governments' iron grip on telecommunications services was loosened recently by the European Court of Justice. The court's decision joins technological, economic and political forces that are already liberalizing competition for the provision of telecommunications services worldwide.

The March ruling might serve as a precedent for denying the European postal and telecommunications authorities, the PTTs, the right to extend their monopolistic domination to future telecommunications services, according to officials well acquainted with the case.

"We are now studying the situation in other member states," said an official of the European Community Commission, who requested anonymity. "We will take action in all places where they try to extend their monopoly to new technologies, especially value-added services."

"This is the first time that a court ruled against monopoly control of new services," said Ernst Weiss, president of the International Telecommunications User Group.

Although not widely reported, the court's decision is causing "havoc" within the PTTs, said Harry Collier, chairman of the telecommunications group of the European Association of Information Services. "It is bound to have an effect on all lucrative forms of traffic. It is forcing communications carriers to sit down and rethink their policies."

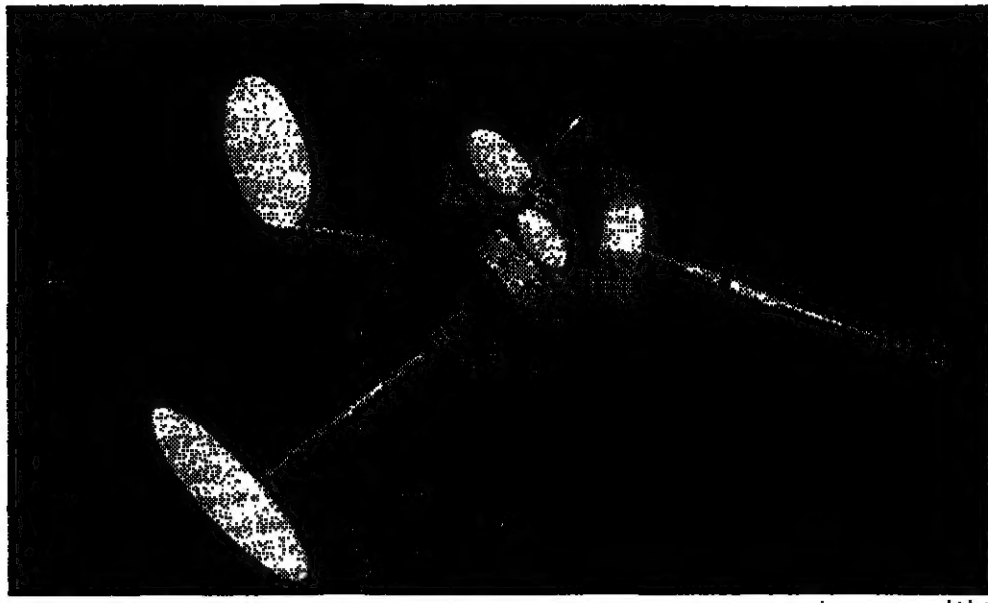
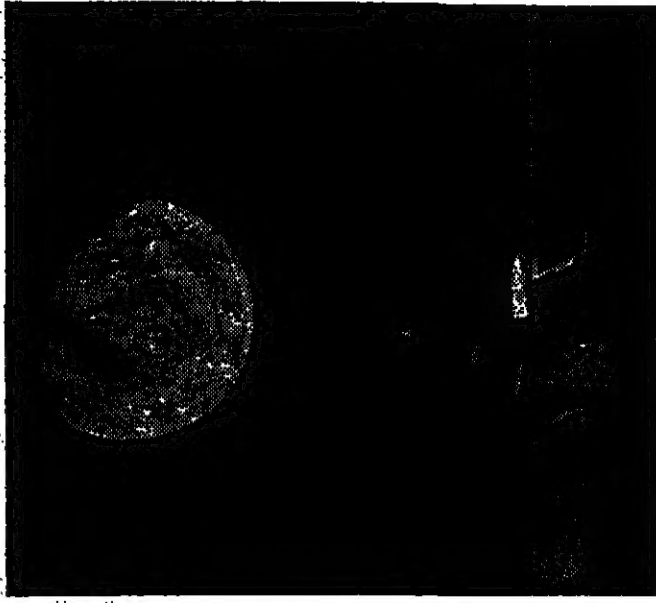
The history of the case starts in 1982. A number of private agencies in London, encouraged by the liberalization of telecommunications competition in Britain, began offering trans-Atlantic telex services to companies from throughout Europe for as little as one-fourth the rate charged by the national PTTs.

Concerned by the implications for their previously untested control of tariffs, the Confederation of European PTTs, or CEPT, pressured British Telecom to prevent the private companies from offering the telex-forwarding services. British Telecom, itself eager to reap the fruits of market liberalization, only reluctantly agreed to intervene, according to officials.

"We found the wrong culprit probably," said the EC official. "We should have condemned the PTTs for putting pressure on their British colleagues."

Nonetheless, the EC Commission condemned British Telecom on Dec. 10, 1982, for abusing its dominant business position in the community under the anti-trust provision of Treaty of Rome legislation.

But the battle was not yet won. The Italian government, again upon the urging of the CEPT, appealed the ruling.



An earlier Intelsat, left, and drawing of Intelsat VI, right.

Drawing the Line Between Communications and Computers

By Arthur Brodsky

WASHINGTON — At a conference on international telecommunications held recently in New York, the discussion touched briefly on whether there is a difference between communications and computers. One participant rose and took an informal poll.

"How many of you have computer terminals on your desks?" he asked. Little more than half the 100 or so persons in the room raised a hand. "How many of you have telephones on your desks?" he continued. Everyone raised a hand. "That's the difference," he stated emphatically and sat down.

Anthony Oettinger, director of Harvard University's Project on Information Resources Policy, disagreed. From an engineering point of view, he said, there is no difference. Mr. Oettinger, who uses the term "communications" to describe the convergence between computers and communications, said that the only way the two technologies are kept apart is through "electro-political engineering."

In 1956, the Justice Department and American Telephone & Telegraph agreed to settle an antitrust suit by stipulating that AT&T could not participate in the computer business. Twice since then, the Federal Communications Commission has tried to pry communications away from computers, the latest attempt in 1980. The question of what constitutes communications and what constitutes computing has never been satisfactorily answered, and this summer the FCC is expected to try again.

Most telecommunications technical experts agree there is no difference between the two fields. Perhaps there was, at one time, when computers were big and bulky and confined to their locations, and when communications over telephone lines were confined to analog transmissions, which could only carry voice and very crude data traffic.

But times have changed. A user sitting at a computer terminal in one city can perform computations

in a main computer hundreds of miles away. The data travels back and forth, often through regular telephone wires. Is that communications or computing? The changes in the telecommunications industry

have been more startling. Since the 1970s, the technology has begun to alter radically how the telephone lines can be used. Information sent over telephone wires is now being transformed

into data bits, indistinguishable from data bits generated by a computer. In bit form, all sorts of information can be sent over the telephone. Voices can be broken down and reassembled. Data can be

transmitted. Even pictures and sound, in videotex or videoconferencing, can all be transmitted in data-bit form. The switching machines that handle the voice and

(Continued on Next Page)



A New Industry: Piracy of Signals

By Wilson P. Dizard

WASHINGTON — Tonight more than a million U.S. and Canadian families can switch on their television sets and watch a newly released Hollywood movie without paying anyone. They are the so-called "space pirates," equipped with small backyard earth stations designed to receive satellite pay-TV programs.

Satellite-signal piracy is spreading fast in North America and in the Caribbean region. Easy access to a dozen or more satellite entertainment networks has spawned a new earth-station industry — and new problems for the Hollywood film studios and pay-TV distributors whose products are vulnerable.

Reacting to this development, Congress last year passed legislation making protection of proprietary rights a key objective in U.S. trade negotiations.

Controlling satellite piracy presents special problems. To begin with, it is a mass phenomenon. By the end of this year in the United States, there could be almost 1.5 million backyard "dishes" designed to pick up entertainment programs intended primarily for cable-TV systems.

Satellite piracy was practically unknown in the United States until the late seventies. Earth stations before then were big and expensive.

There were, moreover, few satellite transmissions worth looking at. Now there are a dozen major U.S. satellite providers of new films, sports and other entertainment features.

More than 500 manufacturers and distributors make up an expanding home-satellite industry, complete with its own trade association and annual convention.

Typically, their dishes measure 3 or 4 meters (9.9 to 13.2 feet) in diameter. The trend, however, is toward 2-meter dishes, capable of picking up pop-

(Continued on Next Page)

The writer is a research fellow in international communications at the Georgetown University Center for Strategic & International Studies.

Problems Bring Satellite Market Down to Earth

By Jonathan Miller

WASHINGTON — Recent failures in space, the development of earthbound competition and political problems have unsettled the satellite telecommunications market.

The loss of the Hughes Syncom-4 satellite (also called Leasat) on the April flight of the space shuttle Discovery was the fourth multi-million-dollar loss to hit the satellite industry since early last year. In February 1984, Western Union's Westar-6 and Indonesia's Palapa B-2 were stranded in a useless orbit after their on-board rockets had failed to propel them from low-earth orbit, where they had been taken by the shuttle, to geostationary orbit, 22,300 miles (36,000 kilometers) above the equator, where they were to have provided telecommunications services.

Although the two satellites were later picked up on another shuttle flight, they remain in a warehouse in California, unsold and unwanted, having cost the insurance underwriters \$180 million in payments to Western Union and Indonesia.

In June 1984, a \$102-million satellite owned by the International Telecommunications Satellite Organization (Intelsat) was lost in space after being launched on an Atlas-Centaur rocket from the Kennedy Space Center in Florida. No rescue of the satellite was possible.

In March this year, the Canadian satellite Anik D-2 lost stability in space. Canadian ground controllers managed to regain control of the satellite, but the operation required the use of a 14-month supply of its fuel. This has reduced the operational life of the Anik and is expected to lead to a \$15-million insurance claim.

Then, in April, NASA suffered the embarrassment of losing the Syncom satellite on a flight that was receiving unusual publicity because Senator Jake Garn, a Utah Republican, was a passenger. An effort by the shuttle's crew to revive the satellite did not succeed.

The string of American failures to get satellites into space has been offset by Europe's Ariane space program, which has been chalking up a series of textbook launches. But the industry still is gloomy. Not only have the insurance premiums on satellites tripled (from about 6 percent of insured value to close to 20 percent) but the business itself is encountering unexpected commercial difficulties.

Intelsat, the global satellite network, has been failing to achieve predicted levels of use, causing shortfalls in revenue of tens of millions of dollars. After years in which it appeared that Intelsat could expect to expand continually while reducing its charges, the plan

to upgrade the network now looks commercially risky, and the basic charges have remained unchanged.

Domestic satellite companies in the United States also have attracted fewer customers than predicted. As a result, some new companies that had been hoping to get into the business have dropped out because they have been unable to get financing.

All over the world, the new generation of high-powered satellites capable of broadcasting television directly to tiny antennas is being held up amid mounting doubts about the reliability of the technology and the feasibility of the economics.

Moreover, the satellite communications are increasingly worried that they may be outflanked by the rapidly developing technology of fiber-optic cable communications.

For two decades, satellites have represented the ultimate in telecommunications sophistication. But the latest development in communications is not in space, but on earth.

Extraordinary advances in the technology of fiber-optic systems are threatening to make conventional, terrestrial communications less expensive and more reliable than satellite links, especially for telephone connections.

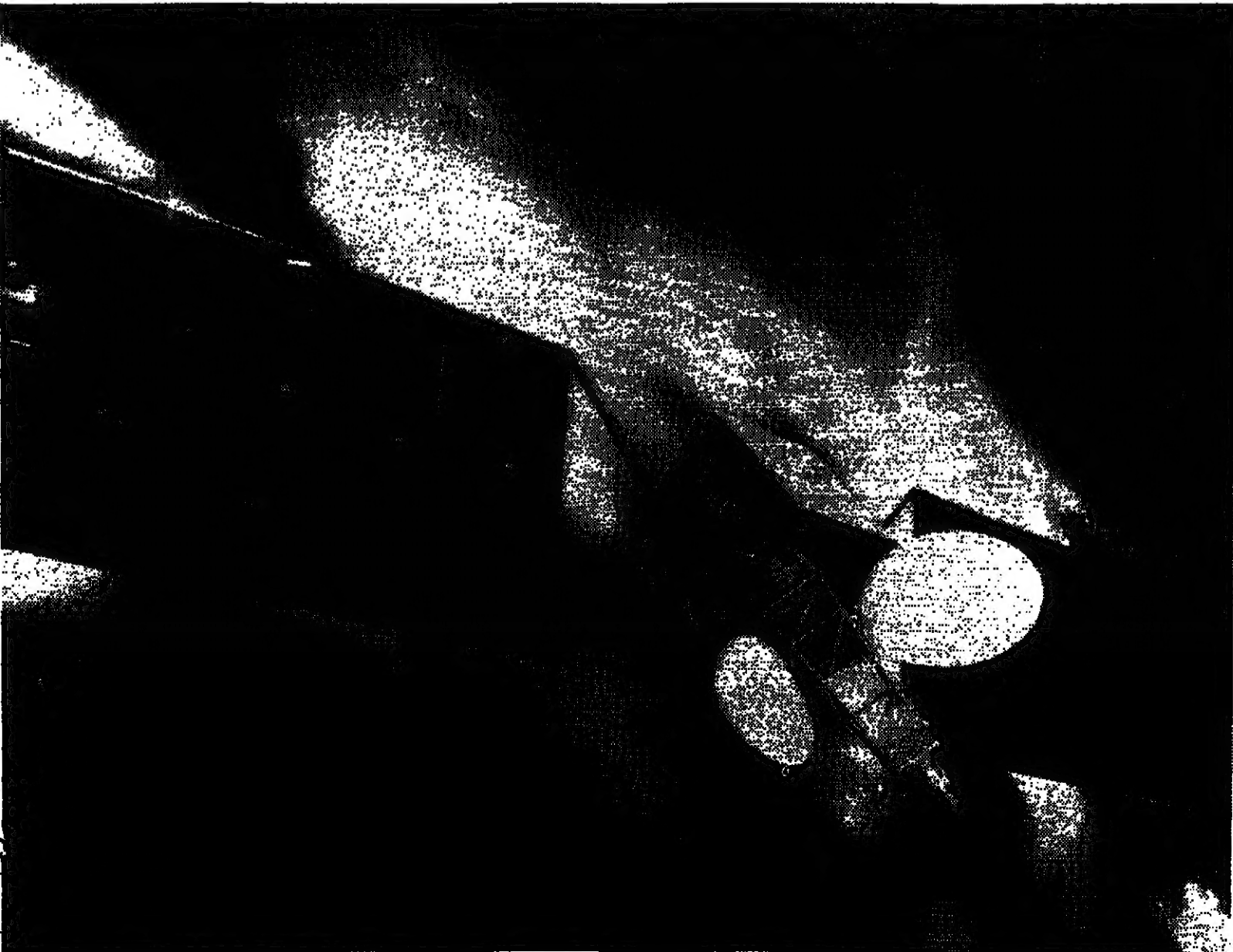
Further uncertainty has been injected into the satellite industry by political considerations. This summer, in Geneva, members of the International Telecommunications Union will gather for a conference to decide on rules to govern the future utilization of the geostationary orbit. The debate could turn out to be acrimonious, pitting developing countries against the developed world.

The poorer nations want guaranteed access to the satellite orbit; the rich are resisting any procedure that might restrict future launches. On a regional level, politics is also a factor. In Europe, political squabbles threaten to upset the plans of Luxembourg to launch Europe's first private satellite company.

And in the councils of Intelsat, there is another danger to global harmony. The Reagan administration, in a major policy departure, has indicated that it is prepared to authorize private satellites as an alternative to Intelsat for transcontinental satellite links. While the new policy is in accord with a long-standing desire to deregulate communications and open the field to expand competition, it threatens to tear apart the historical consensus that has made Intelsat a prime example of successful international cooperation. Almost without exception, America's partners in Intelsat are bitterly opposed to the policy.

There are some bright spots in (Continued on Page 11)

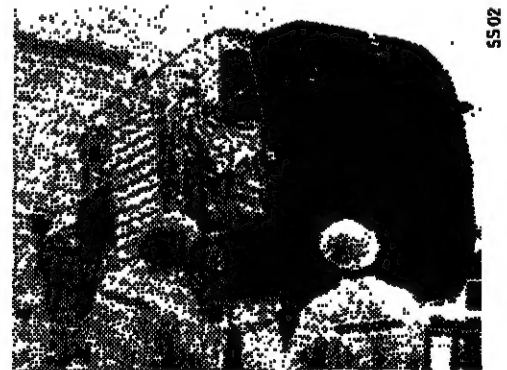
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A SPECIAL REPORT ON TELECOMMUNICATIONS

Piracy of Satellite Signals Widening

(Continued From Previous Page)

ular programs on the more powerful new Hughes Communications' Galaxy 1 satellite.

Although there have been legal attempts to curb alleged signal stealing, the chances for relief from the courts or legislatures appear slim.

Last year, Congress passed legislation, which, in effect, permits signal piracy in the absence of plans by satellite program distributors to sell their services to the backyard-dish market.

The Federal Communications Commission had earlier given up on attempts to control the proliferation of dishes.

The most promising means of overcoming signal stealing is to

nies complained loudly. Their protests led to congressional legislation which, in effect, required governments in the area to come to terms with the American program providers before they would be eligible for trade concessions under the Reagan administration's Caribbean Basin Initiative.

Since early 1984, the arrangement has resulted in a cutback in the more flagrant satellite-signal abuses in the region.

Signal piracy has been a relatively minor factor in Europe so far. This is only because of a still undeveloped infrastructure of satellite and cable systems there. Until that infrastructure is in place, large pay-TV systems — the primary objective of the signal pirates — will not develop.

Europe's slow start results largely from stalling tactics by conservative postal, telephone and telegraph agencies against commercial entrepreneurs who would upset their broadcasting and telecommunications monopolies.

Last year, the European Economic Commission came out in favor of a "common market for broadcasting," a concept that will remain largely theoretical (along with signal piracy) until this political and economic impasse is settled.

The most intriguing prospect for signal piracy involves the Soviet Union and East European countries. Eventually, West European satellites will broadcast attractive entertainment and sports programs over an area that includes Eastern Europe and western parts of the Soviet Union.

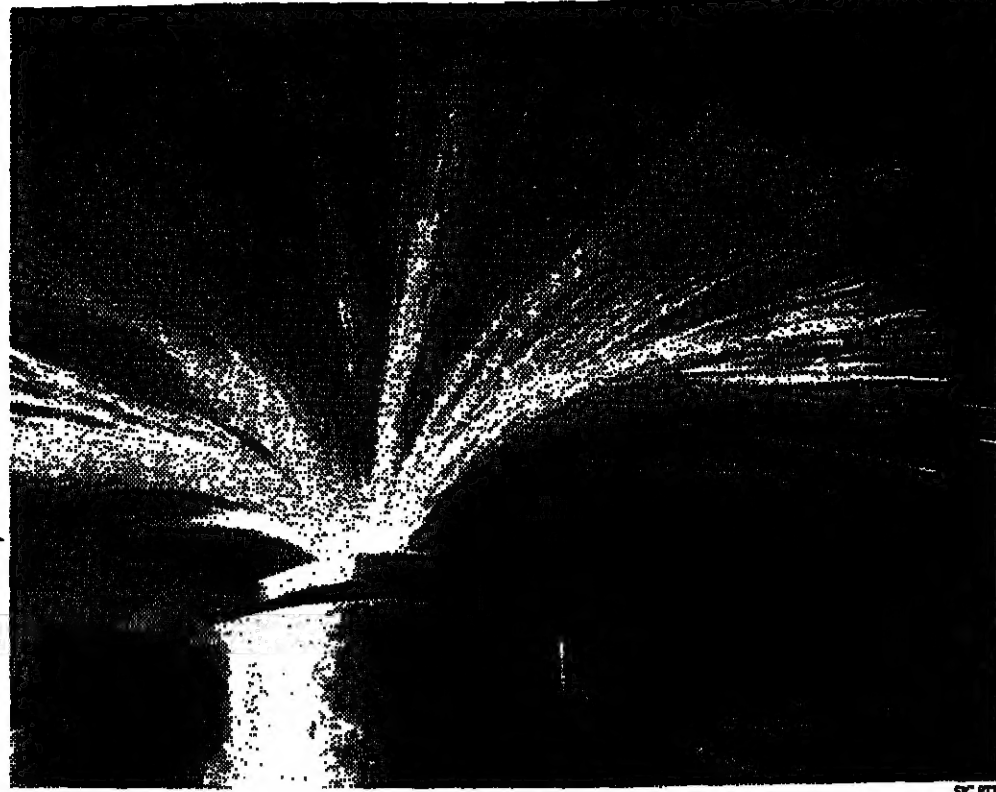
Although local Communist leaders will do what they can to discourage signal piracy, the lure of "Dallas," "Dynasty" and Hollywood films will be strong.

A preview of what could happen occurs nightly in a small control room at Columbia University's Institute for Advanced Study of the Soviet Union. For the past year, students have been monitoring Moscow television programs picked up from a Soviet satellite station over the United States. Recently, the students have noticed something new.

Once the Moscow transmissions are finished, Hollywood films and MTV-style video programs show up on the screen. They are apparently picked up from American satellites by technicians at Soviet earth stations who want to give their comrades a pirated look at Western-style entertainment.



Left, traditional telephone cable; fiber optics, right.



Fiber optics used by the French PTT.

The free-for-all has been in the Caribbean and Central America.

scramble the signal. Regular cable subscribers would get the programs since the descrambling equipment would be controlled by the local cable company.

Signal pirates would get "snow" on their TV screens. Last month, Home Box Office, the largest U.S. pay-TV distributor, began national testing of its scrambling system to 6,900 cable systems. The firm expects that a full-time scrambling system will be operating by the end of the year. Showtime and other large pay-TV companies are making similar plans.

Despite these efforts, there will still be enough unscrambled programs — and cheaper dishes — to encourage signal stealing.

The United States will remain the signal-piracy leader, with Canada in second place because so many U.S. programs can be picked up there. The Canadian government has followed the American lead in giving up efforts to control the backyard pirates.

The greatest free-for-all in signal piracy has taken place in the Caribbean and Central America. As with Canada, U.S. pay-TV transmissions are readily available. The entire region is dotted with earth stations designed to pick them up. At one point, the Jamaican television network was broadcasting pirated films over its stations.

The Motion Picture Association of America and the pay-TV compa-

Japanese Compete With U.S. in Global Fiber Optics Market

By Jack Burton

TOKYO — The showpiece of Japan's fiber-optics industry is the Information Network System (INS), the country's next-generation telecommunications grid.

Once it becomes fully operational within the next decade, anyone in the country will be able to plug into a full range of telecommunications services, including high-speed digital telephone connections, facsimile and data communications, video-conferencing and videotex, telebanking and telebanking.

Although the United States remains the leading market for fiber-optic equipment, Japan has emerged as the leader in applying the technology to a wider variety of uses, contributing to greater expertise and advancing research.

Fiber optics has made INS possible and the telecommunications system demonstrates the advantages of the technology, the ability to transmit vast amounts of both audio and visual information rapidly along easily installed hair-thin glass fiber cables that are immune to electromagnetic interference.

INS was instrumental in propelling Japan into the front ranks of the fiber-optic field. It provided the rationale for Nippon Telegraph and Telephone (NTT), operator of the system, to engage in a decade-long research effort on fiber-optic technology that has scored a number of firsts in the field and made Japan a formidable rival to the United States.

It also provided the necessary market support to get the fiber-optic industry on its feet at a time when the technology was both expensive and uncertain. NTT accounted for 65 percent of fiber-optic sales in Japan last year and its contracts have been lucrative enough to help make Sumitomo Electric Industries, for example, the third-largest maker of fiber optics in the world.

While the first major phase of INS was completed in

February with the laying of the main fiber-optic trunk line through the length of the Japanese archipelago, Japanese fiber-optic producers can look forward to several other big projects.

Following the deregulation of the Japanese telecommunications market on April 1, several consortiums, including ones led by Japan National Railroads and the Ministry of Construction, are planning to erect fiber-optic telecommunications networks within the next several years to compete with Nippon Telegraph's INS.

A more technically demanding challenge is the laying of a submarine fiber-optic cable by Kokusai Denzetsu Denwa, Japan's international telecommunications company, between Japan and Hawaii by 1988 to improve trans-Pacific telephone service.

The Ministry of International Trade and Industry plans to establish more than a dozen "new media" communities throughout Japan that will use its Hi-OVIS system, a two-way interactive cable TV service that relies heavily on fiber optics.

These projects underscore that Japan, with its compact area, concentrated pockets of population and crowded urban landscape, make a suitable environment for fiber-optic systems, probably more so than the United States, where satellite communications can more conveniently bridge the large land mass.

Japanese makers of fiber optics are also expected to tap the industrial and office markets. Fiber optics can be used to automate assembly lines and wire computerized offices.

With demand booming at home, Japanese fiber-optic companies are also advancing into the United States, with Sumitomo beginning mass production of fiber-optic cables in the United States this year and NEC Corp. manufacturing optical communications equipment.

Perhaps Japan's biggest contribution so far to the fiber-optic field has been a new method of producing fiber-optic cables, called VAD, for vapor phase axial deposition.

Developed by Nippon Telegraph in cooperation with its three major fiber-optic suppliers — Sumitomo Electric Industries, Fujikura Ltd. and Furukawa Electric — VAD is more suitable for mass production of optical fibers than the earlier so-called MCVD method pioneered in the United States.

The larger production volume offered by the VAD method means cheaper fiber-optic costs. Improvements in the VAD method will likely result in makers of fiber cable being able to attain NTT's price target of 4 cents per meter (3.3 feet) of fiber cable, a level competitive with the cost of conventional copper cables.

The advantage of VAD lies in the fact that it can produce longer continuous lengths of fiber cable than the MCVD method. Sumitomo Electric has already produced a single fiber cable, 300 kilometers in length, on an experimental basis, although cables of 100 kilometers long will likely become the VAD production standard in the future. This compares with 20-kilometer cables now produced with VAD and 5-kilometer ones with MCVD.

But the longer length of the new fiber cables can not be fully utilized unless a way is found to reduce the number of relays inserted along fiber-optic lines to boost signals. Light signals continually lose strength as they travel down fiber-optic lines, resulting in the need for relays to amplify the light signals at regular intervals.

The main trunk line for INS, for example, has relays every 30 miles (48 kilometers); fewer relays would mean lower construction costs and easier installation for long-range telecommunications systems.

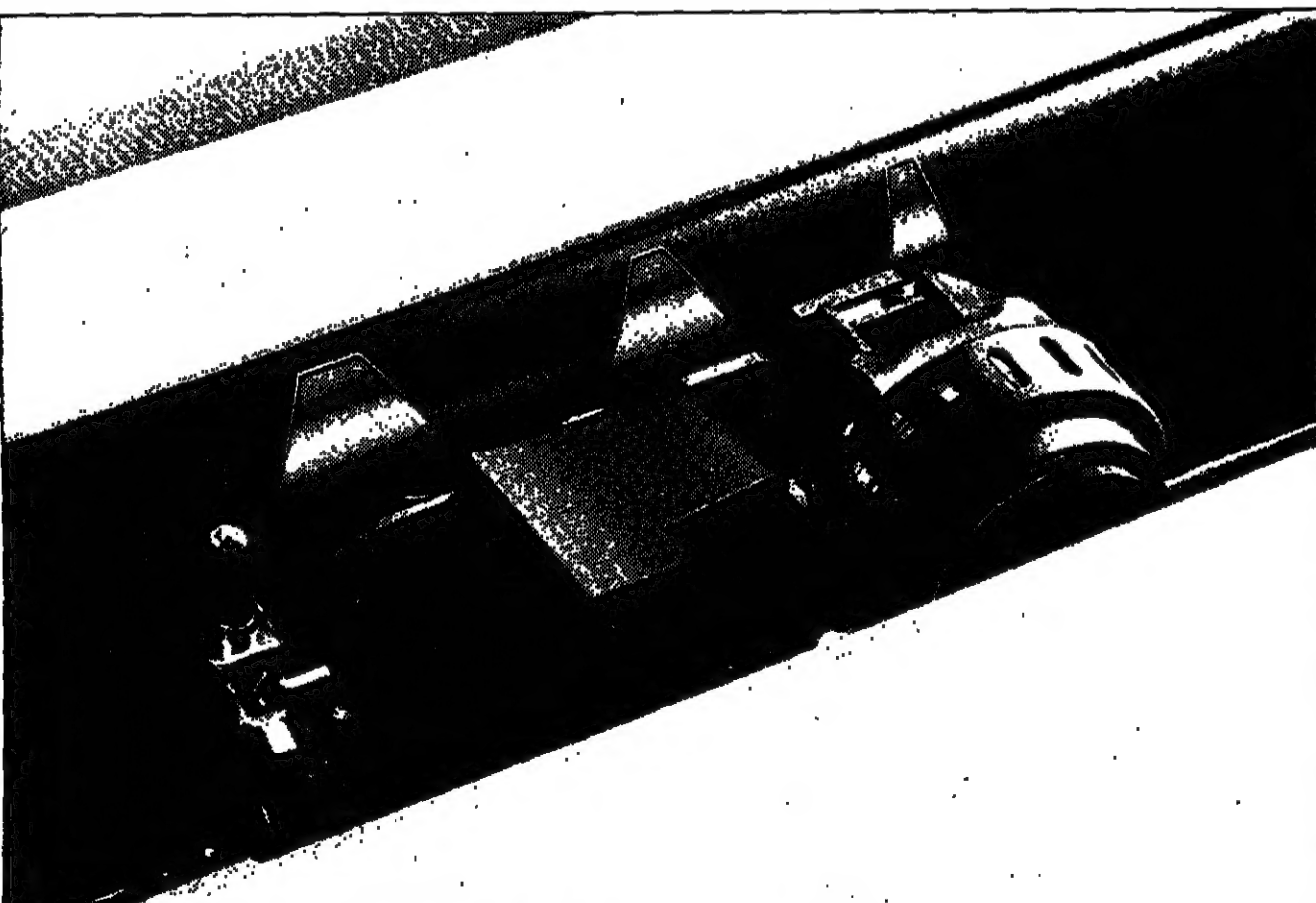
Research is focusing on several ways to improve the light-transmission capability of fiber-optic systems. Nippon Telegraph is developing a new type of fiber optics that has a high-density germanium additive to carry light signals up to 300 kilometers (186 miles) before a relay is needed.

Another way to improve transmission focuses on the lasers that fire the light signals along the fiber-optic cables after they are converted from electric impulses at the source. Nippon Electric and Kokusai Denzetsu Denwa have developed lasers for single-mode optical fibers, which have a low light-loss rate and wide bandwidths that shoot signals on a wavelength of 1.5 microns, considered the optimum level for long-distance optical transmissions.

Nippon Telegraph is also working on improving relay technology. Relays now depend on a cumbersome and inefficient system of converting light signals into electrical signals and then back again before passing them down the line. Nippon Telegraph's method consists of a semiconductor that directly amplifies the light signal without the need for electrical conversion.

The company says that such a method could transmit a light signal another 140-280 kilometers before another relay is needed. Its relay research touches on the next major goal in fiber-optic research, developing an optoelectronic chip that can process light signals in the same way that an integrated-circuit chip distributes electronic signals in a computer.

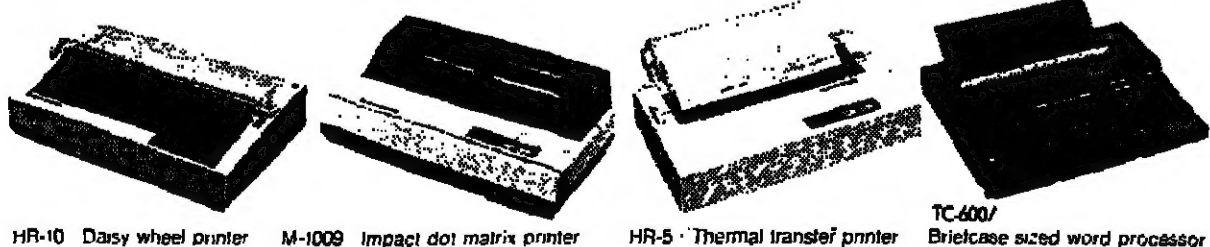
Electronic-circuit chips are unsuitable for fiber-optic systems since they cannot process light, so research is under way to develop new semiconductor materials that can handle both electricity and light.



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Monopolies of European PTTs Are Questioned

(Continued From Previous Page)

pealed the commission's ruling to the European Court of Justice in Luxembourg. The case finally ended on March 20, when the court confirmed the commission's application of the law.

The ruling's implications for the liberalization of the European telecommunications market could be significant. The development of new technology is constantly expanding the range of telecommunications services. The U.S. telecommunications market alone will be worth about \$250 billion by 1990, according to Booz Allen & Hamilton, the U.S.-headquartered international management consultancy.

So-called enhanced, or value-added, services will be the most lucrative portion of information-age business. Such services modify electronically transported information, using computer processing techniques, to better tailor the product to user needs. They will become more widespread as broadband digital transmission techniques begin to enable the transport of high volumes of video, sound, text and data over telecommunications networks.

"There is a big struggle going on at the moment about what these new enhanced services are and who should provide them," said Hans Peter Gassmann, head of the information, computer and communication policy division of the Paris-based Organization for Economic Cooperation and Development.

Struggle is new to telecommunications providers. For as much as a hundred years, services throughout the world have been the domain of government-regulated monopolies. In the United States, privately owned AT&T was regulated by the Federal Communications Commission. In Europe and Japan, state-owned telecommunications and postal services have been run directly by government ministries.

These monopolies, considered as public utilities, generated little interest among users or even government officials until recently. Their traditional task, to put into place a telecommunications infrastructure for telephone and telegraph transmission, kept them busy and out of sight. As international communications grew, the engineers generally were left to work out their deals behind closed doors.

But the explosive growth of in-

formation technologies over the last decade has blown those doors open. "Suddenly, everyone is taking an interest in what these technicians arrange among themselves," said Mr. Collier. "A lot of legislation and tariff structure is restrictive and out-of-date."

Some industry and government officials now argue that the rapid growth in technology and services makes monopolistic control of telecommunications impracticable and economically undesirable.

"The PTTs will see, or already see, that the world is changing," said Theodor Immer, director of the International Telegraph and Telephone Consultative Committee, and formerly a director at the West German Bundespost. "No longer will there be only one network provider or one provider of terminals." The committee is the standards-setting body of the International Telecommunications Union in Geneva.

"PTTs will hold on to the infrastructure," said Hanns Schwimann, Paris-based vice-president for Booz Allen & Hamilton. "On the other hand, they must understand that they cannot develop these services

on their own, anymore. That means that they have to open up the market."

Liberalization in telecommunications so far has involved varying mixtures of deregulation, demopolization and privatization of government-owned agencies. The situation varies from country to country. Many observers now talk about re-regulation instead of deregulation.

The provision of basic telephone services was demonopolized in the United States with the divestiture of AT&T's 22 regional operating companies on Jan. 1, 1984. The government has begun slowly relaxing its regulatory control of AT&T since divestiture. Market forces will slowly replace government decrees in determining competitive practices, tariff policies and technical norms.

Britain and Japan have followed the U.S. lead in telecommunications liberalization. Government-owned British Telecom and Nippon Telephone and Telegraph have been privatized, but both continue to be strictly regulated by their governments and competition for services remains minimal.

The Line Between Communications, Computers

(Continued From Previous Page)

Convergence, from an engineering standpoint, will continue. But what Mr. Oettinger called the "electro-political engineering," continues also. Unfortunately for many businessmen and homeowners waiting for the golden age of instantly accessible information and multifunctional telephone service, politics in many areas of the world are stopping the technology from taking its logical course.

Many of the barriers exist in Europe, where, in most countries, the postal and telecommunications authorities, or PTTs, control communications networks and, in many cases, the equipment connected to those networks, much as AT&T did in the United States for about 100 years. For the PTTs, the merging technologies pose the question of where their monopoly begins or ends. Many have found at least a temporary answer by expanding their control to include all new information services, including videotex and high-speed data systems.

A recent survey of international data-processing firms conducted by the U.S. Department of Commerce found "PTT discrimination against foreign-owned firms" the most frequently encountered problem around the world. The second most frequent problem was "transborder data flow restrictions." Problems include restrictions on use of circuits that companies want to use and policies that force computer users wanting to transmit

data to send the information over the government-provided network.

Ironically, many multinational companies have found the most convenient method of communications is to lease telephone lines in several countries and construct their own networks. That works well enough for the company in question, according to a representative of one multinational firm, but does not help expand communications for companies unable to put together a similar project. Technical standards for transmission and networks differ from country to country, particularly in data communications, making complete, transborder traffic circuits over public networks virtually impossible.

In the United States, one facet of the convergence of communications and computing in the PBX, or private switchboard, that many companies purchase to switch calls and messages around a building. Advances in PBX technology are rapid; a two-year-old system can easily be outmoded. But the West German Bundespost is one example of a PTT that controls all the equipment connected to it.

According to a representative of one equipment manufacturer, the company wanted to sell a PBX in West Germany, but had to take out all the advanced features because Siemens, a leading German company, had not developed those capabilities. It is not unusual for there

to be rules, as with the Bundespost, that only German-made or German-approved equipment may be connected to the telephone system.

In another example, a report by the Organization for Economic Cooperation and Development found that Brazil is "the most severe example" of putting restrictions on equipment and allowing only a limited range of systems, but "long and complex approval procedures were reported to be a widespread problem, especially in Europe."

International telecommunications experts cite other problems that hamper the natural technological convergence, including long waits for services ordered by foreign companies and countries not accepting the equipment-testing standards of others.

Convergence of telecommunications and computers is happening as a natural course of events. In the engineering world, there is no stopping the progress.

The European Community has recognized the need for a unified effort in telecommunications, most recently through the RACE (Research and Development in Advanced Communications Technologies) program. RACE is a long-term project that some analysts believe will not have much impact on fast-moving technological changes.

Satellite Trade: Subsidized or Open, It Is Cutthroat

WASHINGTON — In London, earlier this year, the International Maritime Satellite Organization (Inmarsat) was about to select a contractor to provide it with a new range of satellites to handle communications with ships, offshore platforms and aircraft.

Negotiations with teams led by British Aerospace and Marconi Space Systems had been conducted in secrecy. But a few days before the final decision was to be made, unmarked envelopes began landing on the desks of journalists and government officials, containing details of the contract talks and suggesting that one of the bidding companies had offered a superior proposal.

The anonymous communication was promptly denounced by all concerned. Inmarsat went on to award the contract to the British Aerospace team. But what was interesting was the length to which someone was prepared to go to try to influence the contract negotiations.

Interesting, but hardly surprising. Inmarsat could end up spending half a billion dollars building, launching and insuring its satellites over the next several years. And Inmarsat is one of the smaller satellite organizations. Around the world, probably some \$200 billion will be invested in civilian communications satellites and associated paraphernalia between now and the end of the century.

The rich commercial rewards to be reaped in the satellite business have spawned intense and sometimes brutal competition among suppliers. More than profits are at stake. Governments see satellite prime contracts as a matter of prestige and a manifestation of national technological competence. As a result, they have been willing to spend millions and sometimes billions of tax dollars to subsidize research and development that often ends up getting transferred to the private sector at concessionary prices.

The satellite business meets none of the criteria for a free market, according to economists such as Michael Tyler, a former British Telecom executive now chairman of CS&P International, a telecommunications consultancy with offices in New York and London. The market is characterized by subsidies, systems of preference, secretiveness, monopolies and restrictions on the transfer of technology. Launch services are a prime example of how this system affects pricing. There are essentially only two ways to launch a satellite today: via the American shuttle or atop the European Ariane. NASA and ArianeSpace, which operate these launch systems, charge satellite owners a price for launch services that does not allow for the recovery of a single penny invested by American and European (mainly French) taxpayers in their development.

The trade in the satellites themselves is equally distorted. The Europeans will not buy American satellites, although these have, until recently been in most respects less expensive and more capable than Europe's own models. This is a function of blatant protectionism. Europe has wanted to encourage a satellite-manufacturing industry of its own.

But while keeping out American satellites, Europe has been aggressive in selling Ariane launches to U.S. satellite operators.

A lack of evenhandedness also is evident in the market for earth stations. The United States is the world's largest producer of satellite-television reception equipment, producing some 80,000 units per month and having the ability to rapidly expand production. The

Europeans keep out all but a trickle by applying a brutally effective nontariff barrier. In many European countries, the private ownership of a satellite earth station is simply illegal; in others, it requires a license that is, for all practical purposes, almost impossible to get.

The genuine competition that exists in the world is within the United States and in Third World countries that have no satellite industry of their own. The Brazilians, Indonesians and Chinese can get good prices on their satellites because they can play off the European and North American suppliers against each other. Within the United States, the laissez-faire regulatory policy of the Federal Communications Commission has meant no restrictions on the ownership of earth stations and an abundance of satellite capacity, creating the conditions for vigorous bargaining among users and suppliers of satellite services.

While the launch-services market is essentially restricted to two suppliers, the market for satellites and earth stations is competitive. In the United States, the leading manufacturers of satellites are the Hughes Aircraft Co. and the Astro-Electronics Division of the RCA Corp. A second tier of suppliers includes subsidiaries of the Ford Motor Co. and General Electric. Lockheed, Boeing and TRW also manufacture satellites, but almost all of these are exclusively for military and government uses.

In Europe, France's Aerospatiale and Matra, British Aerospace and Marconi Space and Defense Systems, Italy's Selenia and West Germany's Messerschmitt-Bölkow-Blom are all trying to win a piece of the satellite business. In Japan, Mitsubishi Electric and Toshiba are prominent.

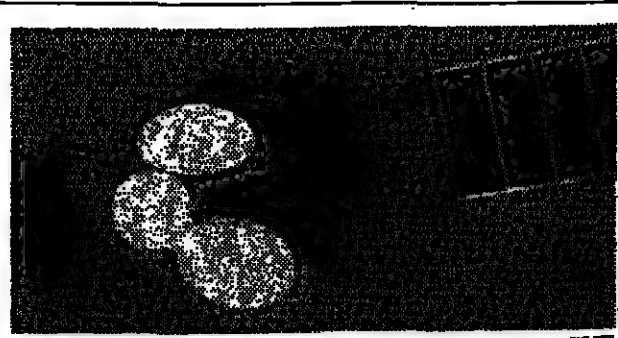
There seems little doubt that there are too many companies seeking prime contracts for satellites, but governments are reluctant to let their national suppliers fail, and they keep some of them afloat with taxpayer-subsidized research and development contracts that lead to the production of experimental satellites with little commercial value.

Even more competitiveness marks the earth-station business. The dish-shaped antennas of satellite earth stations are a far more prosaic product than the enormously complicated and expensive space satellites, but over time the manufacturing of the dishes is going to be a much bigger business. The United States already has more than a million satellite earth stations in use. The value of these is at least \$3 billion, or probably double the value of the 20 American domestic satellites now in service.

The major manufacturers of earth stations have been small to medium-sized companies. In the United States, hundreds of thousands of earth stations are being churned out by entrepreneurs equipped with little more than a few fiberglass molds and largely unautomated electronics assembly lines. This is likely to change as Asian production increases. One of the most formidable future suppliers of earth stations is likely to be China. Japan, Korea and Taiwan also are likely to emerge as significant suppliers.

In the end, the competition to build the hardware of the satellite age is only a preliminary to the real battleground. Satellites exist to transmit information: television, computer data, human voices. To the extent that satellites serve to extend communications options and open up access to high-capacity transmission pathways, the business of filling up the new channels is a game that any number can play.

—JONATHAN MILLER



Detail of a French telecommunications satellite.

Satellite Market Problems

(Continued From Page 9)

the satellite industry, Brazil and the Arab League recently joined Indonesia and India in space, launching satellites for domestic and regional telecommunications services in areas of the world that have been deprived of a modern telecommunications infrastructure. China, which has already launched an experimental communications satellite, intends soon to buy a more powerful satellite in the West to allow for the expansion of television service to its rural population.

Other new applications for satellites show an equally promising future.

The European Telecommunications Satellite Organization is experiencing a boom in the business of distributing television signals to cable-TV systems. Among the customers of the Eutelsat service are Rupert Murdoch's Sky Channel, which is beaming programs from Lon-

don to millions of cable subscribers and hotel rooms across Europe. European publishers, including The Economist and the Financial Times, are awakening to the possibilities that allow them to simultaneously print newspapers in many locations around the world. The technique is already used by the International Herald Tribune, the Wall Street Journal and USA Today.

The outlook for satellites, despite the difficulties of recent months, is hardly grim. As earth stations become less expensive and new applications are developed, future growth looks assured. But the gloom of the present is palpable. Twenty years after Telstar demonstrated the feasibility of satellite communications, the industry has emerged from its adolescent growth spurt. In its new maturity, the industry is finding that its exotic technology is not immune from misfortune and the rigors of competition.

Standardizing the Integrated Services Networks

By Andrew Waller

LONDON — Like the highway, the telecommunications industry needs rules, but much more complex ones. Without regulations, the instantaneous links we used to send voice, data or pictures across the globe just would not work.

In most countries the business of making the rules about what equipment can be used, how it talks to other parts of the network and what kind of traffic can be sent over it has always been the preserve of the PTTs, the state post, telegraph and telephone monopolies.

So long as they keep that monopoly, PTTs enforce the rules, too. If the user does not comply, they can just unplug his equipment.

The United States has always been the big exception. The Federal Communications Commission sets the regulatory network. Under the Reagan administration, it advocates more strongly than ever that the marketplace must do the regulating.

But the argument for leaving it up to the market is not just ideological; technology moves so swiftly today that an administration bogged down in regulatory activity will be overtaken by events before it has time to weigh the facts and reach a decision.

In the past year, two countries have followed the United States in privatizing their state telecommunications corporations, Britain and Japan. In Britain, a new Office of Telecommunications (OfTel) was set up to see that operators stick to the free-market rule.

These moves will put pressure on other Western European countries to deregulate, as rival telecommunications agencies in Britain — though there are still only two — exploit the new environment to grab a lion's share of the lucrative trans-Atlantic traffic.

The world's PTTs come together under the auspices of the International Telecommunications Union. The task of the union's International Telegraph and Telephone Consultative Committee is to harmonize technical, operational and tariff aspects of communications. Its work has grown increasingly complex. Where once the only suppliers interested in its

activities were capital-equipment manufacturers, now large parts of the semiconductor industry have joined in.

Theodor Imer, the director of the committee, fears that unless his group fulfills its role as arbiter of world telecommunications standards, big manufacturers and regional PTT organizations will step in with their own solutions.

The major current effort of the committee is to complete international standards for the world's biggest machine, the integrated services digital network. Beginning with national networks and building up to a global web of communications, it will carry every kind of traffic,

defines what data-service suppliers may and may not offer, how their services are distinguished from pure telecommunications and what rules are needed for each of them. He is also examining the effect of national regulation, or deregulation, on international business.

The International Telecommunications Satellite Organization (Intelsat), a PTT-based grouping, already faces the threat of competition, following U.S. satellite operators' applications to the FCC to carry international traffic.

Mr. Bruce, addressing a U.S. congressional committee in March, pointed out that Intelsat will face competition from fiber-optic cable anyway and that national satellite systems, like the French Telecom-1, were also capable of carrying international traffic.

Technological advances mean that there are many things a PTT can do now that were previously the preserve of private enterprise, and vice versa. In the case of cable television, for instance, in most countries it was not PTTs that provided the cable for local distribution networks for broadcast TV. Today, it often is.

Then there are value-added network services, known as VANS. Traditionally, PTTs provided the means of communication and did nothing else with the information communicated. That was up to the "user."

What happens if one wants to store one's information and forward it later? Is this an added-value service? Britain has decided it is, but no other European country has made up its mind on VANS yet. It is up to the PTTs to decide.

What happens if one has a leased or privately owned channel with spare capacity, so one wants to sell it on to other organizations? PTTs take the line that third-party traffic is illegal.

But how much does one have to add to it to argue that one is providing a different service? How will any PTT be able to monitor whether hundreds of providers of VANS are really adding value?

Soon, there will be a forest of private satellite dishes. PTTs will not be able to monitor effectively what all their owners are doing with them.

An administration bogged down in regulatory activity will be overtaken by events before it has time to reach a decision.

from ordinary telephone conversations to high-speed data and moving images.

By handling every signal in digital form, it can make much more efficient use of equipment. It does not have to know whether the traffic it handles is voice, data or images, so long as it can be interpreted correctly by the equipment at the receiving end.

For all that to work, all the interfaces, or "gateways," through which the torrent of digital data pours must conform to common standards.

Twelve organizations, only half of them traditional telecommunications operators, have commissioned a study worth more than \$300,000 to establish how each of eight countries draws these distinctions and how they regulate for them.

Robert Bruce, a Washington lawyer and former general counsel of the FCC, is directing the study, which was commissioned through the International Institute of Communications, a London-based independent research body.

His brief is to establish how each country

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Investor Climate Held Key To 3d-World Development

LONDON — The world needs to spend \$12 billion a year until the end of the century to give the Third World the telecommunications it needs, according to the Maitland Commission, set up by the International Telecommunications Union to assess how to meet developing countries' needs.

Sir Donald Maitland, the British diplomat named by the ITU to chair the commission, said the most important decision of its 17 members, 10 of which are from developing countries, was to urge upon Third World nations the importance of creating the right conditions for investors.

The commission proposed an international center for telecommunications, comprising a policy group, a development service and an operations support group, to give impartial advice to Third World nations.

The ITU Administrative Council will discuss the creation of the center when it meets in July, but Sir Donald made it clear that the West wanted the United Nations body just to provide legal cover. Telecommunications operators will contribute to the center so long as they have this assurance, he added.

The imbalance today between the industrialized countries and the rest of the world is stark: A handful of nations have 90 percent of the world's 600 million telephones. The Washington metropolitan area has more telephones than all of black

Africa. Bangladesh has 13 telephones for every 10,000 inhabitants, Sweden more than 8,500.

Most of the aid for telecommunications development comes today from international organizations and Western governments. In 1983, the total from all sources was estimated at \$8 billion.

The Maitland Commission sees involvement of the private sector as the only way to boost the level of investment: hence the proposed international center, to provide a pool of expertise that will give confidence to developing countries and investors alike.

Up to now, the telecommunications industry has often been seen as just another sector to be built up as a country develops. But there is a growing feeling today that it actually fosters development and must be considered as a vital part of other projects.

The commission suggested two mechanisms for long-term funding, revolving funds and telecommunications investment trusts, which might be put into effect by the next ITU plenipotentiary conference.

The revolving fund could be built up with contributions over a 10-year period from telecommunications operators, equipment manufacturers, systems houses and users, to pay for equipment purchase, training or interest relief. Eventually, interest repayments would replenish the fund's resources.

—ANDREW WALLER

Market

Questioned

Computer

A SPECIAL REPORT ON TELECOMMUNICATIONS

Programming Diversity a Hallmark Of U.S. Cable Television Systems

By John Wolfe

WASHINGTON — There is clearly a diversity among the companies that operate the more than 6,400 separate cable systems in communities across the United States. On the most advanced systems, viewers can choose from up to 100 channels, consisting of retransmitted local broadcast signals, satellite-delivered cable-programming services, locally originated programs and public, educational and governmental stations.

Cable service is currently available to 57 percent of the nation's households, according to data from the A.C. Nielsen Co., a research firm that tracks viewing habits. Nielsen figures for the end of February indicated that 38 million American households (44.6 percent of homes with TV sets) subscribed to a cable system. That figure is currently growing by 250,000 new customers per month.

The cable industry's balance sheet also reflects the industry's maturity in the United States. In 1982, cable operators lost an aggregate \$200 million; in 1983, they realized a profit of \$400 million, which doubled to nearly \$800 million last year.

Many industry officials believe that continued deregulation of cable television by the government has helped foster diversity and profitability. Observers are quick to point out that cable in Europe does not benefit from the same laissez-faire approach.

"I think the primary reason for the success of cable in this country is the withdrawal from the regulatory marketplace by the government; that is still a problem in Europe. They are afflicted by an overregulation of media," said Ed

Dooley, vice president of public affairs for the Washington-based National Cable Television Association, which represents U.S. cable operators.

Other industry observers note that European postal administrations are often hesitant to encourage competition to government-regulated broadcast stations. That philosophy "is stifling cable development" in Europe, according to Tom Wheeler, president of Washington Communications Consultants.

The U.S. government has given cable television many of the rights usually accorded publishers. Late last year, Congress passed the Cable Communications Policy Act of 1984, a compromise among the cable industry and city representatives that was designed to provide a unified federal policy concerning cable television, which had previously been regulated primarily on a local level.

The practical result of the law, however, will likely be to deregulate a sizable portion of cable television. As part of the law, Congress mandated that the Federal Communications Commission determine what constitutes effective competition for cable television.

Those systems operating in markets where such competition exists would be permitted to establish their own rates for basic cable service. Systems operating in areas where no effective competition exists would have their rates regulated by city authorities.

The commission, on April 11, ruled that effective competition to cable exists if three broadcast signals are available in a given market. According to its estimates, that decision will deregulate about 80 percent of all cable systems in the

United States, serving nearly 90 percent of all subscribers.

Cable operators are certainly not the only companies hoping to cash in on the industry's bullish future. The growth of cable has also led to an explosion in the number of cable programming services in the United States. From one pioneering service (Home Box Office, which began operation in 1975), cable subscribers now have the option of choosing from around 48 separate, satellite-delivered national programming services.

The success of the major cable networks has had an influence on broadcast television in the United States. The success of video music services has helped to change the face of television commercials, some cable observers claim.

Industry observers also warn that the proliferation of competitors, such as video cassette recorders, direct-to-home satellite broadcasts to backyard earth stations and microwave multichannel distribution services, could slow the development of cable.

Moreover, the cable industry is faced with the task of explaining the limitations of the technology to consumers and local governments, which in many cases expect a system that can provide video programming and interactive services such as videotex.

"The big hurdle will be trying to get people to realize the limits of cable," Mr. Dooley said.

"There's a tendency for some people to get fixated on a certain technology and forget to ask if there will ever be a market for that technology," Mr. Wheeler said. "Both cable operators and local governments are facing up to that question."

In Europe, Visionary Cable Projects Contrast With Modest Achievements

PARIS — France's stalled cable project got a boost recently when the mayor of Paris announced his readiness to begin wiring the capital.

After 14 months of negotiations, Mayor Jacques Chirac and the state-run telecommunications authority signed an agreement on April 30 calling for a network hooking up 100,000 Parisian homes in 1986 and 1.2 million by 1992. The network will offer 15 channels for the distribution of television programs and interactive services, such as home banking.

The negotiations between the conservative mayor and the Socialist government were long and arduous. "We thought it should have gone faster," acknowledged Bernard Schreiner, president of Mission Cable, the government delegation overseeing France's ambitious plan, "but there were certain constraints."

The difficulties and continuing uncertainties confronting the French project exemplify the problems faced by other European countries that are developing cable networks.

France's project, adopted Nov. 3, 1982, is a corollary of President François Mitterrand's effort to shore up the country's troubled electronics industry and launch a new era of communications. Britain and West Germany also began major projects in 1982.

Using sophisticated optical-fiber technology, the governments plan

to do more than just pipe television and radio into homes. Optical-fiber cable is made of hair-thin strands of glass that can transmit massive volumes of information as pulses of light. Services such as home banking, teleshopping and electronic publishing will be possible by linking home computers with distant corporate computers via the new cable.

But, for the moment, the picture looks rather bleak for European cable plans. Only modest projects have succeeded so far, while more ambitious plans continue to flounder.

"Everyone set off with a vision of a fabulous evolution," said Laurent Blin, consultant at the Paris bureau of International Data Corp. The number of potential clients for electronic home services was overestimated, while financing costs were underestimated, he said.

"Home information systems are not booming," said Hans Schwimann, Paris-based vice-president at Booz Allen and Hamilton, a U.S. management consultancy.

In fact, the countries with the most homes hooked up to cable started their networks 10 to 15 years ago. They sought simply to distribute television and radio programs over copper wire and have not changed strategies since.

For example, about 80 percent of homes in Belgium and Luxembourg and 52 percent in the Netherlands receive cable TV, according to CIT Research Limited in London. Modest ambitions are the key

to their success, experts say. They use inexpensive copper wiring and have no qualms about transmitting foreign programs.

"Holland and Belgium had no technical or cultural ambitions," explained Mr. Blin.

On the other hand, France, West Germany and Britain chose advanced technical solutions that, while offering great possibilities for new applications, also pose a number of problems. Cable penetration in those countries is still less than 10 percent.

By using optical fiber instead of traditional copper wire, the costs of their plans were significantly raised. The French government will spend 6 to 12 billion francs just wiring Paris, according to initial estimates. Mr. Chirac forced the government to pick up most of the tab before committing Paris to the cable project.

Officials justify the high costs by citing the added services that will be available to clients. They see optical-fiber cable as the necessary infrastructure for the modern information-based society. And European postal and telecommunications authorities, the PTTs, hope to capitalize on the increased use of telecommunications services that they expect on the networks.

However, many cable experts doubt that a significant demand exists for interactive home information services.

"If you anticipate demands about which no one is quite sure,



France's card-operated public telephone.

Avoiding the Half-Second Trip to Outer Space

By Tim Smart

BOSTON — Satellite technology, the primary means by which telephone calls are routed over long distances, is slowly becoming outdated in a world where instantaneous communication is a minimum requirement and a premium is placed on the rapid delivery of both speech and data. In its place will be a world linked by hair-thin fibers made of glass.

"You can go anywhere with a satellite, unlike a microwave, which only goes where towers can go," said Robert Lucky, head of basic research at AT&T's Bell Labs division. "But the big disadvantage is the half-second delay with the trip."

Because it takes a quarter-second in each direction from earth to outer space at the speed of light, there is a noticeable delay in conversations that take place on telephones linked by satellite. The caller dialing New York from Geneva, for instance, will notice a delay between the time he speaks and the person at the other end of the line hears and responds.

By 1988, though, that could all change. AT&T is currently laying fiber-optic cable underneath the Atlantic Ocean to link the United States with France and Britain. It is the first transoceanic hookup using the glass fibers, which is rapidly becoming the preferred long-distance transmission link in the United States. Fiber provides nearly

unlimited capacity to carry both speech and data traffic great distances with little or no distortion. Over long distances, fiber has proven to be economically viable, although its practical application in short-haul situations remains to be seen.

The use of fiber is becoming increasingly important as international telecommunications equipment manufacturers move into a world dominated by data rather than words alone. Growth in data traffic is four times that of speech as business finds more and more ways to communicate electronically. But data needs are not the whole story.

Technology has moved toward a world dominated by the digit, either a zero or one, that represents the binary system language of the modern-day computer. Where once computing was done with words, or talk was changed into words, or words were changed into sound like computerized "bits" of information, "If people want to talk to each other in the future, we'll have to make them sound like computers," said Mr. Lucky.

Digital systems have taken over in interoffice communications networks and in the transmission of both data and voice at the central switching offices of the major international telephone companies. But it has yet to replace the conventional analog technology between central switching stations and the individual telephone handset.

you risk having a flop," Mr. Blin said.

"Everything depends on what subscribers want to pay," said Frank Aerts, a sales representative at Integen, a private cable operating company in Antwerp, Belgium. More than 90 percent of the homes in the Antwerp region are cabled, perhaps the highest density of cable penetration in Europe. Begun 14 years ago, the Antwerp cable network offers 16 channels of television and radio programs, transmitted over copper wire.

"We don't know if our subscribers are willing to pay more money," said Mr. Aerts. "I don't think they are."

To complicate matters further, many countries, including France,

West Germany and Sweden, are fearful about being inundated with foreign programming and advertising. Several would like to restrict foreign programs or advertising or both. But experts warn that such measures would limit the success, of pay-TV.

"One must argue against political obstacles... that worry about foreign programs and advertising," said Helmut Baner, head of the legal department at the Ludwigshafen Cable Authority in West Germany.

Governments may have enough trouble finding programs to fill Europe's new channels without introducing protectionist barriers.

— AMIEL KORNEL

Use of Satellites for Data Delivery Overtaking Global Telephone Links

WASHINGTON — Maritime Data Network Ltd., a shipping information company, must overcome a unique logistical hurdle in its day-to-day business operations — part of its installed customer base is floating around in the middle of the ocean, according to Mardata's president, Larry Pfister.

For Mardata and a growing number of information companies that must deliver data to remote sites, communications satellites are overtaking telephone lines as the most reliable cost-effective method of point-to-point data distribution. By the end of 1985, there may be as many as 100 commercial satellites equipped for international telecommunications in earth orbit, the Communications Satellite Corp. estimates. Although these satellites are primarily used for international and domestic voice and video transmissions, industry observers expect data-delivery services to continue to account for a growing portion of satellite use.

Proponents of the technology note that by using satellite distribution, an information provider can bypass telephone switching networks, essentially reducing the links in the data-delivery chain and, therefore, minimizing the chance of error. They also claim that the increased data capacity of satellites enables companies to deliver a greater quantity of information at a much faster rate.

The high-speed, error-free nature of satellite delivery gives it an advantage over leased telephone lines, Mr. Pfister said. Mardata, a U.S.-based partnership of Marine Management Systems, Lloyds of London Press and Lloyds Register of Ships, uses an Inmarsat satellite to deliver port information, technical specifications of vessels and arrival-departure schedules to ships and ports worldwide. Mr. Pfister estimates that of about 20,000 ships that are candidates for satellite communications, about 3,000 are currently equipped with satellite terminals.

In addition to data delivery, the high capacity of satellites enables Mardata to transmit computer programs directly from Mardata headquarters to shipboard computers. Mardata currently has "several hundred" corporate clients, who pay from \$500 to \$4,000 per year, depending on which data bases are chosen and the number of sites that can receive the data.

As with most companies using satellite delivery, Mardata has not completely forsaken the use of telephone lines. "We do use land lines within a continent," Mr. Pfister noted. "For example, all of our subscribers in the United States get our service through a local telephone call," using the General Electric Information Services Corp. data transport network.

Pergamon Infoline is another information company that is gradually shifting from telephone to satellite delivery. Pergamon, which provides access to 35 data bases housed in a computer in London, is the U.S. subsidiary of the Pergamon-BPAA-Mirror Corp., an international information and publishing company based in Britain. Pergamon specializes in scientific data and patent information but it plans to add several business data bases to its service, according to Pergamon's president, James Terragno.

Most of Pergamon's traffic is currently over leased telephone lines (through networks such as Tymnet and Telenet), although

Mr. Terragno said, Pergamon will transfer to satellite delivery during the next few years.

"Satellites are more reliable," he said. Currently, Pergamon uses satellites to transmit data overseas from its central computers in London. North America and Europe are Pergamon's primary markets, although the company is beginning to market its service in Japan, he added.

Information providers are not the only ones anxious to capitalize on the advantages of satellite transmission. Data-delivery network vendors are also looking to profit from direct distribution.

"High-speed data transmission seems to work better over satellite," according to Raymond Marshall, senior vice president of technology operations for General Electric Information Services Co., which operates a data-delivery network that reaches 750 cities worldwide, using three trans-Atlantic and two trans-Pacific satellites.

"Satellites shrink the world for us," according to Roger Summit, president of Dialog Information Services, a subsidiary of Lockheed Corp. Dialog's data-delivery network provides more than 250 data bases to 50,000 subscribers in 71 countries, Mr. Summit said.

Equatorial Communications Services is one of a growing num-

ber of companies that use satellite distribution exclusively. Equatorial provides point-to-multipoint broadcast distribution to earth stations linked to data terminals. It sells its distribution network to information providers, which then market the service to individual subscribers.

"We can provide our service at a dramatically lower cost than by using telephone lines," said Equatorial's president, Ed Parker, who explained that his clients could save from 30 percent to 50 percent by using satellite distribution. Equatorial uses satellites to transmit continuously updated information to on-site personal computers. End users then store and retrieve the data locally, Mr. Parker said.

A host of other innovative services is also being developed for satellite distribution. Merrill Lynch and IBM have formed International Marketnet, a joint venture that will use portions of the public broadcasting spectrum in the United States to deliver stock-market data to personal computers. Television stations in the United States and Europe use satellites to deliver one-way teletext services. And Digital Equipment Corp. uses satellites to distribute its private videotex service to clients in Europe and the Far East.

— JOHN WOLFE

Conference Seeks to Define North-South Space Sharing

LONDON — A World Administrative Radio Conference is usually such a technical affair that few besides the specialists are even aware it is taking place. But this year's is different, for North and South will compete for a fair share of space — and they do not agree on what constitutes a fair share.

In the jargon of the International Telecommunications Union (ITU), which is organizing the Geneva conference in August, the purpose of the talks is to agree on equitable access to the geostationary satellite orbit (GSO) and the frequency bands allocated to space services that use it.

The industrialized world, which already has plenty of communications satellites spinning 36,000 kilometers (22,320 miles) above the

equator, does not want orbital slots allocated in advance to every country, whether or not they are likely to put any satellites into space.

Developed countries argue that such rigid planning would be far too wasteful of the orbit/frequency resource.

Developing countries are afraid that unless they are assigned places in advance, they will miss out in space communications, because when they do want to join the game, there will be no room left or it will only be possible with more expensive technology.

Many Third World nations dislike the first-come-first-served principle on which orbital slots and frequencies have been assigned so far.

— ANDREW WALLER

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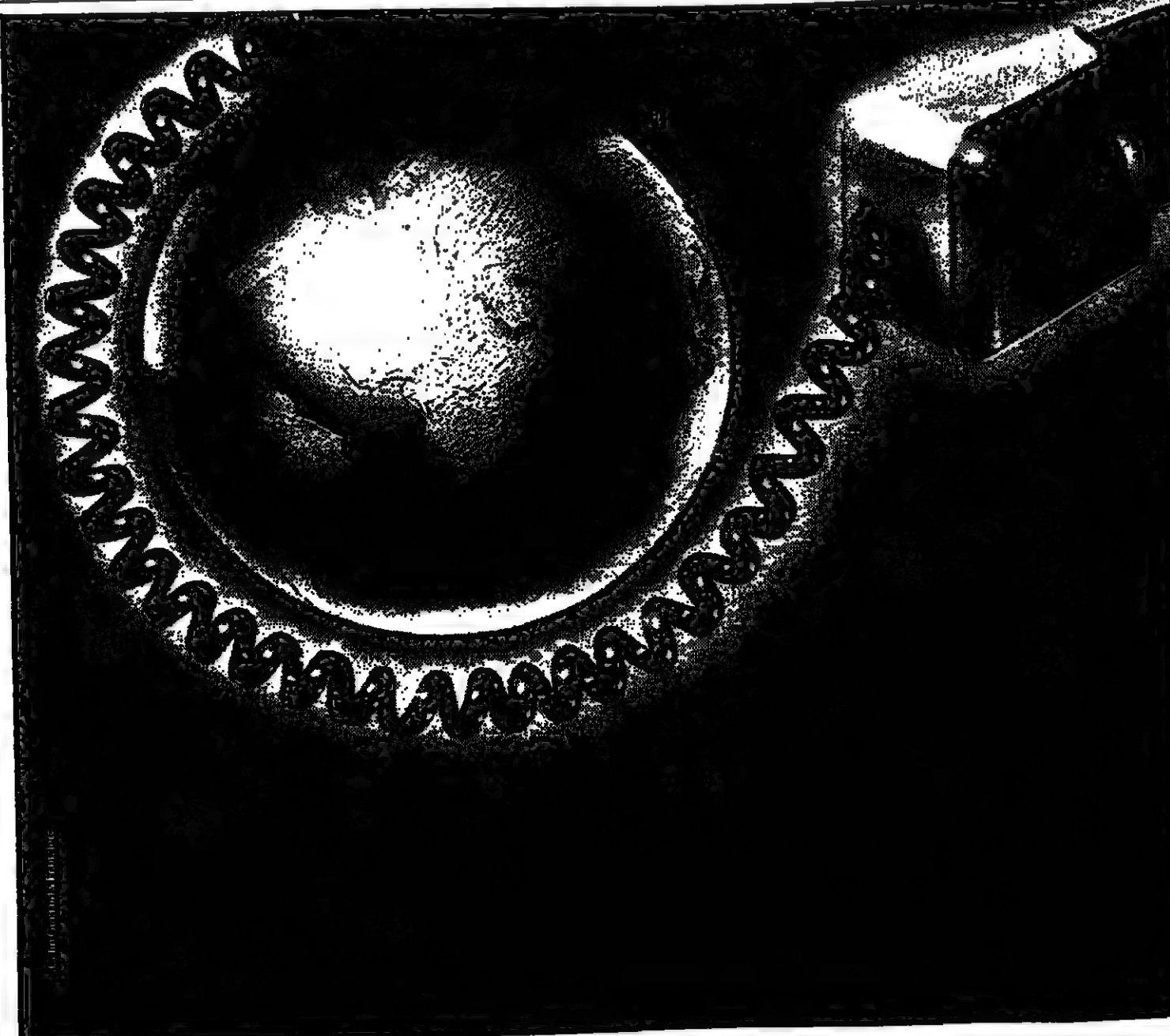
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FUTURES AND OPTIONS

New Eurodollar Options Will Be Settled in Cash

By H.J. MAIDENBERG
New York Times Service

NEW YORK—Another dimension has just been added to the booming Eurodollar market by the Philadelphia Board of Trade, a new unit of the Philadelphia Stock Exchange, which began trading its version of Eurodollar options. Unlike the Eurodollar options traded on the Chicago Mercantile Exchange, the Philadelphia contracts that came into being last Friday will be settled in cash, rather than through the delivery of a corresponding futures contract.

Perhaps more important, the new options are fashioned after those traded in Europe; that is, they cannot be exercised before the contract's expiration date. As Nicolas A. Giordano, president of the parent exchange, said:

The Eurodollar market was inadvertently created by Moscow.

While, technically speaking, Eurodollars are dollars held by foreigners, they are basically bookkeeping transactions between lenders and borrowers all over the world. Thus, few, if any, of these funds, which are estimated to total at least \$2 trillion, ever actually change hands.

ESSENTIALLY, there are three kinds of Eurodollars. One is a form of "call money" that has no fixed maturity and which the lender can withdraw on one day's notice. Another consists of negotiable certificates of deposit that are issued in bearer form, normally in units with a face value of \$1 million.

"What we are trading are options on the third form, \$1 million 90-day time deposits placed in the Eurodollar market by lenders around the globe," said Arnold F. Staloff, president of the Philadelphia Board of Trade.

Despite the huge amounts involved, the buyer of these Eurodollar options will still only pay a relatively small premium for the right, without any obligation, to buy or sell the value represented by the option at a fixed price for a specified period of time.

Because no Eurodollars actually change hands, the options that are exercised are settled in cash, with the buyer holding a profitable contract getting the difference between the agreed "strike price" at the time of purchase and its value at expiration.

"The Philadelphia options add a new dimension not only to the enormous global cash market in Eurodollars, but also to the Chicago Eurodollar futures and options markets," said John M. Blin, director of financial and foreign currency options operations at Lasser Marshall Inc., a unit of Mercantile House Group of London, the leading international broker in foreign exchange and Eurodollars.

Mr. Blin, when he was a professor of economics at Northwestern University, in Evanston, Illinois, designed Chicago's Eurodollar futures contract, which is now second only to Treasury bonds in financial futures trading volume.

"The expansion of the various exchange-traded Eurodollar instruments will also help the far much larger and rapidly expanding 'upstairs' market in these funds," Mr. Blin added. "As the upstairs cash market grows, the banks and other big institutions will need to lay off increasing amounts of risk they are assuming each day. The Eurodollar futures and options can help in this respect."

By "upstairs," Mr. Blin was referring to the huge amounts of Eurodollars that are lent, borrowed and traded each day in financial centers around the world. These transactions are for cash, with the funds exchanged electronically among the trading institutions.

What is actually being trading in the upstairs cash Eurodollar market is the difference between the agreed "strike price" at the time of purchase and its value at expiration.

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Overseer Is Named For Thrift

Talks Don't Stop Run in Maryland

United Press International

BALTIMORE — A judge named a conservator on Monday to take over Maryland's second-largest savings and loan association after lengthy negotiations failed to stem a run on deposits.

For the fifth day in a row on Monday, hundreds of depositors lined up to retrieve their money at the Old Court Savings & Loan, despite a \$1,000 withdrawal limit per month on each account under the conservatorship plan.

Reports of a management shake-up prompted the run of \$15 million in withdrawals at the privately insured savings and loan, which initially had been closed to \$1,000 in cash withdrawals and provided the balance in cashier's checks.

Old Court executives held extensive negotiations with the weekend with Maryland Savings-Share Insurance Corp. over the thrift and the governor's top aides to avert a takeover by a conservator.

But after a private rescue attempt failed, the state filed a petition Sunday to allow MSSIC to oversee Old Court while the thrift reviews offers to sell or merge.

MSSIC is a private corporation that oversees Maryland's state-chartered savings and loans.

Late Sunday, Attorney General Stephen Sachs went to the home of Baltimore Circuit Judge Martin Greenfield, who signed the court order early Monday.

Aides to Governor Harry Hughes said he knew of the difficulties at Old Court, which lists assets of \$839 million, before he left Saturday for the Middle East.

Mr. Hughes approved the papers needed for a possible takeover of Old Court and gave Mr. Sachs the nod for a criminal investigation involving the thrift's top officers before he left, aides said.

When the thrift crisis showed no sign of abatement, the governor decided to fly home Monday.

Reports of a management shake-up at Old Court first circulated Thursday, and one day later customers learned that the attorney general's office planned to investigate possible conflicts of interest involving top officers.

On Friday, Old Court borrowed funds from the Federal Reserve.

State and federal officials are examining all 102 Maryland state-chartered savings and loans.

An Industry Awash: Oil Producers Aren't Yet in the Clear, Experts Say

By Thomas C. Hayes
New York Times Service

LOS ANGELES — One after another, the big U.S. oil companies have been forced to react to cheaper oil.

Their moves have included desperate mergers by Gulf Oil Corp. with Chevron Corp. and by Getty Oil Co. with Texaco Inc. to escape takeovers; stock repurchase programs by Exxon Corp. and Amoco, and major restructuring by Atlantic Richfield Co., which will close some businesses and pare back others.

The recent announcement by Mobil Corp. that it would jettison its troubled retailing unit, Montgomery Ward, by transferring ownership directly to its stockholders, made Mobil one of the latest of the oil giants to embark on a significant rearrangement of its assets.

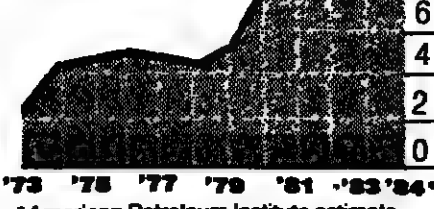
Although the responses have varied, they all represent efforts by an industry hobbled by too much oil, too much refining capacity, too many people and too little current promise in its basic business — the search for oil. As far-reaching as the restructuring moves appear to be, experts say there will be more.

"The downturn in prices that began in 1983 looks like the beginning of a decade-long process," said Thomas A. Petrie, a managing director and senior oil analyst with First Boston Corp. in Denver. "That leaves managers to conclude that there are profound differences in the way they should run their business."

Many in the industry point to T. Boone Pickens, chairman of Mesa Petroleum Co., the ubiquitous agent behind the changes that are jarring the industry. He battled Gulf, was an early agitator at

Average Wellhead Price for United States Crude Oil

Price in 1967 constant dollars; per 42-gallon barrel



*American Petroleum Institute estimate
Sources: U.S. Energy Information Administration, American Petroleum Institute

Getty, and pursued Great American, Superior Oil Co. and Cities Service into the arms of friendly acquirers.

He also initiated the original bid that forced the restructuring of Phillips Petroleum, a bid later pursued by Carl C. Icahn, the financier. But while Mr. Pickens appears to have played a key role in the industry's restructuring, some analysts maintain that the drama probably would have occurred sooner or later, even without him.

"The oil industry is maturing, and it needs (Continued on Page 19, Col. 1)

Sweden Raises Interest Rates, Restricts Credit

By Juris Kaza
International Herald Tribune

STOCKHOLM — The Swedish government raised interest rates sharply on Monday and imposed strict consumer credit restrictions in an attempt to cool the economy and reduce currency outflows that have been weakening the krona.

The Bank of Sweden boosted its discount rate to 11.5 percent from 9.5 percent and raised the penalty rate charged on discount borrowing above certain quotas to 16 percent from 13.5 percent.

The credit restrictions announced by Finance Minister Kjell-Olof Feldt make it considerably more difficult and costly to buy new cars and to purchase consumer goods on credit or installment plans, and they will increase monthly home mortgage payments for many Swedes.

Government and central bank officials said the measures were necessary to stem large currency outflows in recent weeks that may have resulted from a decline of international confidence in the Swedish economy and the nation's currency.

Swedish businesses will be required to deposit excess liquidity in blocked accounts with the Bank of Sweden in two payments in August and in January 1986 to cool the high pace of corporate investment that is pumping money into the Swedish economy and abroad, as companies repay foreign debts.

The credit restrictions are expected to virtually halt new-car sales by requiring a 50-percent cash deposit and a maximum 12-month installment payment. In addition, excise taxes on new cars will double to 3,000 to 4,000 kronor (\$330 to \$440). The hardest hit will be automobile importers, because domestic sales account for a relatively small proportion of Volvo's and Saab's profits from auto sales.

Economists said Prime Minister Olof Palme's government was taking an election-year risk by hitting at voters' pocketbooks at a time when the Social Democrats were running just about even with opposition parties in opinion polls.

Nils Lundgren, chief economist of PKbanken, the state-owned commercial bank, predicted that the increases in the interest rate would drive consumer prices up about 1 percent, passing the government target of 3-percent inflation in all of 1985 by the end of May.

Lars Vinell, chief economist of the Federation of Swedish Industries, said the government measures would probably succeed in the short term but stressed, "Our problems are everything but short term."

As long as Sweden does not take measures to reduce the size of its public sector and to relieve tax pressure on individual incomes, "this carries the risk that we will get into a new vicious cycle" of rising wages and declining competitiveness, he said.

Mr. Feldt said a continuing strike by about 20,000 white-collar government employees "played a major role" in the measures announced by the Bank of Sweden and the government. He asserted that reserve outflows had accelerated sharply on May 2, the day the strike began. The action cut off air traffic to Sweden and slowed customs clearance.

The government workers are striking to get compensation this year for wage raises obtained in the private sector in 1984.

Although their numbers are few, the tobacco farmers are backed by various agricultural groups that

for smokers that it once was — the result of a vigorous nonsmokers' rights campaign. It is still true that the amount of smoke in the average bullet train car would choke someone in an oxygen mask, but pressure recently produced a second nonsmoking car for the trains.

Foreign cigarettes also cost more here than Japanese cigarettes — in part, foreign makers say, because local taxes make it difficult for them to reduce prices, although tariffs are the same here as in the

United States. Japanese cigarettes, with the delightful names of Peace, Cherry and Easter range from 68 cents to 96 cents in vending machines; foreign cigarettes from \$1.12 to \$1.20. Moreover, prices must be approved by the Ministry of Finance, although such approval has been automatic so far.

Japanese preference for charcoal-filter, as opposed to menthol cigarettes also increases manufacturing costs and helps keep prices high.

American officials and foreign makers had urged that Japan Tobacco be stripped of its monopoly over domestic manufacturing and sales, arguing that such control allowed the company considerable price advantages. But their pleas were blocked by a formidable lobby, the 80,000-strong tobacco farmers of Japan.

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Dollar Declines In Europe on Interest Fears

The Associated Press

LONDON — The dollar fell Monday against most major currencies in moderately active foreign exchange trading in Europe.

Currency dealers said the dollar's decline was abetted by expectations that U.S. interest rates may be headed lower. Rates have generally fallen in the past month, and recent reports indicating that U.S. economic growth may be slowing have been interpreted by some as a sign that rates have room to fall.

Dealers said, however, that there appeared to be little lingering effect in the currency markets from the Senate approval last Friday of a deficit-reduction package.

In late trading in London on Monday, the pound gained against the dollar. It was at \$1.254, compared with \$1.2353 in late trading Friday.

In other late trading in Europe, the dollar was at 3.084 Deutsche marks, down from 3.1286 Friday; at 9.404 French francs, down from 9.521, and at 2.5915 Swiss francs, down from 2.6255.

Unilever Increased Profit 13% in First Quarter

By Bob Hagerty
International Herald Tribune

LONDON — Unilever PLC's pretax profit rose 13 percent in the first quarter as last year's acquisition of a major tea company offset a downturn in the United States, the British-Dutch food and soap giant reported Monday.

Pretax profit totaled £218 million (\$273 million), up from £193 million a year earlier. Net profit increased 12 percent to £105 million from £94 million, and sales grew 24 percent to £4.73 billion from £3.82 billion.

In line with its usual practice, Unilever computed the latest results and the year-earlier comparisons using exchange rates prevailing last Dec. 31. Based on March 31 rates, net profit totaled £98 million, or 26.11 pence a share, up 4 percent from £94 million, or 25.04 pence a share.

The results were broadly in line with expectations. Shares of Unilever PLC, the British arm, climbed 15 pence to close at £11.70 apiece on the London Stock Exchange.

The quarter's results included a six-month contribution from Brooke Bond Group PLC, a London-based tea and food company bought last October for \$389 million. Analysts estimated that Brooke, net of interests costs associated with the acquisition, kicked in £20 million at the pretax level.

Aside from Brooke, "We're not looking a much growth here at all," said John Parker, an analyst at the London stockbrokerage of Fielding, Newson-Smith & Co.

In North America, Unilever said, operating profit was "significantly lower" despite higher sales. The profit squeeze reflects a fierce marketing contest between Unilever's Lever Brothers unit and its biggest rival, Procter & Gamble Co. Unilever is spending heavily on promotion to defend its Whisk laundry detergent against P&G's new liquid detergent of Dial. One analyst estimated that this skirmish

cut \$20 million from Unilever's profit in the quarter.

At the same time, Unilever faced heavy costs to promote its new Sauge fabric softener and Sunlight dishwasher soap in the U.S. market.

In Europe, operating profit rose 14 percent. Unilever credited Brooke Bond and a strong performance from chemicals. But profit from margarine declined in the face of the European Community's discount sales of surplus butter. Oil milling profit also shrank in Europe.

Outside of Europe and North America, sales and profit rose substantially. The gain was partly due to Brooke, which has a sizable tea business in such markets as India and Pakistan. Analysts said the improved performance also reflected economic recovery in the Third World.

In addition, Unilever said it benefited from the sale of a "trade investment" in a French company, which was not identified. The

compensation paid for the "trade investment" is based on the Annual Money Market Rate (TAM) and the net annual consolidated income of the Company. The TAM reference is adequate for a banking group collecting funds through a vast network of branches all over France and having a traditional commercial banking activity. This reference is linked to the expected growth of the income, thus the results giving the investor an excellent opportunity to participate in the development of the C.I.C. Group.

The net proceeds from the issue will be reallocated by the Compagnie Financière de Crédit Industriel et Commercial and will strengthen their equity base. The funds collected on this occasion and those which were raised very recently on the Euro market for \$2,800 million will give to the C.I.C. Group the necessary base for its development in 1985 and the years ahead.

The consolidated net income of the Company amounted to F.Fr. 399.5 million of which the Group interest represents 278.5 million; the balance being the minority interests.

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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
IBM	164.5	164.0	164.25	+0.25
AT&T	102.5	102.0	102.25	+0.25
GE	48.5	48.0	48.25	+0.25
Amgen	115.5	115.0	115.25	+0.25
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Dow Jones Averages				
Open	High	Low	Last	Chg.
Indus	127.41	126.55	126.75	+0.25
Trans	118.42	117.55	117.75	+0.25
Comp	102.42	101.55	101.75	+0.25
NYSE	102.42	101.55	101.75	+0.25
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NYSE Index				
High	Previous	Low	Close	Today's P.M.
Composite	126.42	125.55	125.75	+0.25
Indus	118.42	117.55	117.75	+0.25
Trans	102.42	101.55	101.75	+0.25
Comp	102.42	101.55	101.75	+0.25

Monday's NYSE Closing				
Vol.	High	Low	Last	Chg.
IBM	164.5	164.0	164.25	+0.25
AT&T	102.5	102.0	102.25	+0.25
GE	48.5	48.0	48.25	+0.25
Amgen	115.5	115.0	115.25	+0.25
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AMEX Diaries				
Close	Prev.	High	Low	Chg.
Amgen	115.5	115.0	115.25	+0.25
Amgen	115.5	115.0	115.25	+0.25
Amgen	115.5	115.0	115.25	+0.25
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NASDAQ Index				
Open	High	Low	Last	Chg.
Indus	127.41	126.55	126.75	+0.25
Trans	118.42	117.55	117.75	+0.25
Comp	102.42	101.55	101.75	+0.25
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NYSE Stocks Edge Upward

NEW YORK — Prices on the New York Stock Exchange edged upward Monday, building on last week's rally.

The Dow Jones average of 30 industrials, up 26.94 last week, rose another .55 to 1,274.73 an hour before the close.

Gainers held a 5-4 lead over losers among New York Stock Exchange-listed issues.

Analysts said investors were still optimistic about the chances for progress toward striking the federal budget deficit.

Late last week the Senate passed a Republican-sponsored budget plan containing many spending reductions.

Wall Streeters will be watching closely this week as the House of Representatives, where Democrats have some very different ideas, goes to work on its version of a budget proposal.

If some significant action is taken on that front, analysts reason, the Federal Reserve will be more inclined to relax its credit policy, encouraging interest rates to decline. One move in that direction might be a cut in the Fed's discount rate, the charge it sets on loans to private financial institutions.

But some cautious observers warn that the market might be vulnerable to selling by disappointed traders should events not follow that script.

Brokers also said the temptation was strong for some traders to take profits after the rise of such broad market indicators as the Standard & Poor's 500-stock composite index to record highs at the end of last week.

The NYSE's composite index rose .06 to 106.70. At the American Stock Exchange, the market value index was up .02 at 228.19.

Volume on the Big Board came to 71.79 million shares with an hour to go.

Pan American World Airways was the most active NYSE-listed issue, unchanged at 5 1/2.

IBM was second, up 1/4 to 130 1/4.

Arco (ex-dividend) was third, off 1/4 to 60 1/4.

In other petroleum, Unocal was off 1/4 to 45 1/4. Exxon was up 1/4 to 50 1/4. Mobil was off 1/4 to 30 1/4.

National Semiconductor was off 1/4 to 11 1/4 and AT&T was unchanged at 22 1/4, both in active trading.

General Electric was off 1/4 to 108 1/4 after pleading guilty in Philadelphia Monday to 108 counts of cheating the government out of \$800,000 in costs for the Minuteman missile.

Jack Eckerd was unchanged at 22 1/4.

Digital Equipment was up 1/4 to 106. The company is expected to announce Tuesday a computer line, the Micro VAX II, aimed at the engineering market.

Data General was up 1/4 to 39 1/4 while Cray Research was off 1/4 to 77.

Pharmaceuticals were gaining. Syntex (ex-dividend) was up 1/4 to 60 1/4. Pfizer was up 1/4 to 47 1/4. Merck & Co. 1/4 to 102 1/4. Bristol Myers 1/4 to 59 1/4. Abbott Laboratories up 1/4 to 53 1/4. Squibb (ex-dividend) 1/4 to 62 and Johnson and Johnson unchanged at 46 1/4.

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BUSINESS ROUNDUP

Asuag Has Turnaround To \$10.2-Million Profit

BIENNE, Switzerland — Switzerland's largest watch group said Monday that it is back in profit less than two years after its banks saved the company from bankruptcy in the most expensive industrial bailout in Swiss history.

Asuag Société Générale de l'Horlogerie Suisse SA, the makers of Omega, Longines and Rado and the fashionable plastic "Swatch," reported 1984 group net profit of 26.5 million Swiss francs (\$10.2 million).

In 1983, Asuag had a loss of 173 million Swiss francs, and in 1982, a loss of 340 million Swiss francs.

Sales rose only 8 percent to 1.58 billion Swiss francs from 1.45 billion Swiss francs in 1983, despite almost doubled sales of the low-priced Swatch.

Heron Bid Approach Bolsters Burmah Oil's Share Price

LONDON — The price of shares in Britain's Burmah Oil PLC, one of the world's oldest oil companies, jumped more than 10 percent in value Monday after it was confirmed that Heron Corp., a privately owned property, gasoline station and insurance group, had made a takeover approach.

Burmah shares hit a 1985 high of £2.93 (\$3.66) on the London Stock Exchange, up from £2.58 at Friday's close, before easing back to £2.86 on profit-taking.

In a statement Sunday, Burmah confirmed reports that Heron, a British concern, had sought agreement in principle to a takeover bid at a meeting on April 30.

COMPANY NOTES

Casio Computer Co.'s plants in China are expected to double their combined output, to 10 million calculators, in the year ending March 1986. There are 52 plants in China owned by regional governments that produce calculators under license from Casio.

Degussa AG is forming a joint-venture company in South Korea with the Seoul-based Oriental Chemical Industry Co. to produce catalytic converters. A new plant will have the capacity to produce one million converters a year, with production to begin in spring 1987. The converters will be sold on the South Korean market and exported.

Glaxo Holdings PLC has formed a joint-venture company with Tanabe Seiyaku Co. to direct the development and marketing of Tanabe's cephalosporin antibiotic outside Japan. The drug, TA 5901, will be launched through the world network of Glaxo companies and by Tanabe in certain countries.

GTE Corp. said its third communications satellite was placed in orbit 22,300 miles above the equator on Saturday by the Ariane 3 launch vehicle.

Mobil Oil Corp. said subsidiaries of its Superior Oil Co. have reached agreement with British Gas Corp. to sell their shares of gas from the Thames fields in the southern British sector of the North Sea. The Superior units' combined total of recoverable reserves from the three Thames fields is estimated at about 117 billion cubic feet.

Prime Computer Inc. has entered into an agreement with Eastman Kodak Co. that calls for Kodak to market Prime's 2350 mini-computer as part of Kodak's Kar-8800 information management system.

Republic Health Corp. is negotiating for McDonnell Douglas Corp. to acquire a 20-percent vol-

BAe Readjusts Allocation of Issued Shares

LONDON — British Aerospace PLC said Monday that allocations for its £550-million (\$660-million) issue of 146.85 million shares have been scaled down because the issue was heavily oversubscribed.

Private investors applied for about 790 million shares in the British government's sale of its 48.4-percent holding in the company. But a high proportion of those issued was already destined for financial institutions, existing shareholders and employees of BAe.

Now, private applicants for 100 to 200 shares will get 100; those wanting 300 to 500 shares get 125, with progressive scaling down to 200 shares for applicants for 1,000 to 1,900 and 275 for those wanting 10,000 to 20,000.

The shares were priced at 375 pence each, with 200 pence payable on application and 175 pence by Sept. 10. On the London Stock Exchange, British Aerospace shares were last quoted at 435 pence, up 17 pence since late Friday.

Bad Debt Provisions At JMB Is \$245 Million

LONDON — Bad debt provisions at Johnson Matthey Bankers Ltd., now owned by the Bank of England, are estimated at \$245 million (\$303.8 million), a Bank of England statement said Monday.

The review of the bullion dealer's troubled loan portfolio has been largely completed.

ing interest. The company said McDonnell would acquire preferred stock from Republic and exercise options it has obtained from Republic shareholders to acquire about 1.7 million common shares.

Shimizu Construction Co. was awarded a contract for 389-million Hong Kong dollars (\$50 million) for work on the second stage of a three-stage program to renovate the Queen Mary Hospital. The overall project is valued at \$64 million dollars. The second stage includes construction of two buildings.

Wormold International Ltd. of Australia has received legal advice that a formal partial bid from Adelaide Steamship Co. contravenes the New South Wales takeover code. Wormold previously rejected as inadequate Adsteam's offer of 3.55 Australian dollars (\$245) a share aimed at lifting its stake to 44 percent of Wormold's.

Cigarette Firms Seek Sales in Japan

(Continued from Page 13)

form the mainstay of Japan's ruling party.

"These are just the first steps to liberalization of the tobacco market," Mr. Aetvoet said. "They are a far cry from a free market, for the simple reasons that we strongly believe if you have a monopoly on manufacturing, you should not need an import duty to protect your products."

But Japan Tobacco has problems of its own, ones that may give foreign makers competitive advantages. Japanese tobacco costs about twice as much as foreign tobacco, said Mitsuo Futagami, a spokesman for the company, and Japan Tobacco is obligated by law to buy all the tobacco that farmers produce every year.

Because sales have slowed, however, some of this tobacco is not used, Mr. Futagami said. Until the fiscal year 1975, which ended March 31, 1976, Mr. Futagami said, the company's sales rose by

about 4.5 percent a year. In fiscal 1975, cigarette prices were raised 48 percent, and since then, annual tobacco sales have increased by less than 1 percent. Last year, the company's sales were \$11.2 billion; net income is still being calculated, Mr. Futagami said.

Many foreign makers maintain that their tobacco is superior in taste and quality to Japanese tobacco. Kea Fukuda, director of a joint venture between R.J. Reynolds and Mitsubishi Corp. to market Reynolds cigarettes in Japan, said that one reason Japanese cigarettes use charcoal filters is to compensate for the harsher taste of Japanese tobacco.

This difference can also work against foreign brands, however, because the Japanese have grown used to the taste of domestic cigarettes.

Foreign makers are going slowly in their efforts to expand market share. Both Reynolds and Philip Morris have chosen to continue

U.S. Navy, IBM Dispute Progress on Submarine Contract

New York Times Service

NEW YORK — The U.S. Navy and International Business Machines Corp. are locked in a dispute over IBM's performance on a \$1.7-billion contract to build an advanced computer system for submarines.

IBM insists that work on the project is on schedule and meets the Pentagon's technical specifications and that it will run less than \$100 million over budget. The navy contends that the work is behind schedule and falls short of specifications and that it could run as much as \$800 million over budget. Last week, navy officials said that future phases of the contract, which seemed assured for IBM, would be reopened for bidding.

At issue is IBM's role as prime contractor for the Submarine Advanced Combat System, or Subacs.

The system is intended to greatly improve the sonar, navigation and weapons control operations of about 20 Los Angeles-class submarines now used by the navy.

A follow-on system, with further improvements, is expected to become the core of the navy's forthcoming fleet of SSN-21 submarines, the next generation of ships that will be launched beginning in the 1990s.

Navy officials call the classified project one of the key elements of their effort to improve the nuclear submarine fleet and detect a new generation of "quiet" Soviet subs. Thus, they have expressed concern about alleged delays and cost overruns in the project, which apparently is being restructured. A blue-ribbon navy panel is expected to complete an investigation of the Subacs program within a month,

and the General Accounting Office confirmed last week that it was preparing a separate report, expected in July.

Navy officials, despite repeated requests last week, declined to talk about the project.

"It's a mess on all sides," a navy source said, "and no one wants to touch it with a 10-foot pole."

IBM said its executives were eager to discuss the project.

"The navy believes it is inappropriate for us to talk," said Norm Kocot, a spokesman for IBM's Federal Systems division, which handles government contracts. The navy's concern, he said, was that the blue-ribbon panel was still investigating and that Congress was taking testimony on the future of the SSN-21 program, including the computer system.

In public testimony last month, Everett Pyatt, assistant secretary of the navy for shipbuilding and logistics, said the navy was dissatisfied with IBM's progress on the contract, which was awarded in December 1983.

The navy, citing security concerns, has yet to describe publicly what has gone wrong. But navy sources maintain that the system neither has sufficient memory nor combines all of the ship's critical computer functions in a "distributed system," a network of independent processors and disk drives.

"Part of the problem may be that our expectations were too high,"

one navy official said. "But these days, \$800-million cost overruns don't look good."

IBM denied all the major points of the navy's charges. The \$800-million figure is a projected cost overrun for all of the SSN-21 program, not just the computer system, IBM contends. Navy officials, when asked about the IBM response, repeated their assertions that it applies only to the computer portion.

Moreover, IBM insists that the project is proceeding satisfactorily.

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CAP GEMINI SOGETI

Listing on the Paris Stock Exchange

The shareholders of CAP GEMINI SOGETI S.A., in an Extraordinary General Meeting held on April 4th, 1985, approved the proposal made by the Board of Directors of a public offering of ordinary shares on the Second Marché of the Paris Stock Exchange. The offering will take place in June and 10 % of the share capital will be made available to the public.

Lazard Frères will act as lead manager, with Crédit Lyonnais, Indosuez and Société Lyonnaise de Banque as co-managers.

The Extraordinary General Meeting also approved the 1984 financial statements of the CAP GEMINI SOGETI group as audited by Coopers and Lybrand. CAP GEMINI SOGETI's consolidated sales reached 1.8 billion French Francs (a 28.4 % increase over the previous year) of which 43 % originated in France, 30 % in eight other European countries and 27 % in the United States.

The net profit after tax reached 95.8 million French Francs (a 32.5 % increase over 1983), which represents 5.3 % of sales, versus 5.1 % in the previous year.

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December, 1984

Over-the-Counter

May 13

NASDAQ National Market Prices[illegible]

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Quotations Supplied by Funds Listed
13 May 1985

The net asset value quotations shown below are supplied by the Funds listed with the exception of some funds whose quotes are based on issue prices. The following marginal symbols indicate frequency of quotations supplied for the IHT: (d) - daily; (w) - weekly; (h) - bi-monthly; (r) - regularly; (i) - irregularly.

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Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere
Via The Associated Press

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SPORTS

Hawks and Nordiques Victors, Tying NHL Playoff Series, 2-2

Washington Post Service

CHICAGO — Until last Tuesday night, Edmonton had a 12-game National Hockey League playoff winning streak, dating from last year's Stanley Cup finals. But thanks to the Black Hawks, the defending champions now have a two-game playoff losing streak.

Chicago defeated the Oilers, 8-6, here Sunday night to tie the Campbell Conference final series at two games each. Meanwhile, Quebec was squaring the Wales Conference title series with a 5-3 victory over Philadelphia.

Starting the third period with a 6-4 lead, the Black Hawks got goals from Steve Larmer, his second of the game, and Bob Murray to ice matters. After Murray's goal, Coach Glen Sather replaced Oiler goalie Grant Fuhr with Andy Moog.

Edmonton's Glen Anderson, assisted by Wayne Gretzky, scored with 3:19 left to make it 8-5. With 2:15 remaining and Moog pulled for an extra skater, Mark Messier got his second goal of the night, to cut the deficit to two. But it wasn't enough. "Another five minutes," said Gretzky, "and we would have been in control."

Chicago started the game without three key players: Defenseman Doug Wilson was out with a groin pull and Keith Brown with a hip pointer; forward Bill Gardner, one of the team's best penalty-killers, suffered torn knee ligaments when he was checked by the Oilers' Jaroslav Pospisil Thursday night.

It didn't take long for things to get rough in Game 4. The Hawks took a 5-3 lead after a wild first period that featured 16 penalties and a brawl.

Gretzky scored the opening goal, at 2:52, while each team was down two men following the fight. But Darryl Sutter tied it at 4:23, and rookie Ed Olczyk gave Chicago the lead with a short-handed goal at 9:50, when he out-muscled defenseman Paul Coffey on a breakaway. Mark Messier tied the game at 2-2 at 11:02, when he spun around and lofted the puck over fallen Chicago goalie Murray Bannerman.

There was an explosion of four

goals in the period's final 2:55. Savard netted a short slapshot at 17:55, off a great pass from Larmer. Pospisil tied the game again, 15 seconds later, pushing a shot between Bannerman's skates.

Curt Fraser, on a fine pass from Olczyk, put Chicago ahead 4-3 at 18:17, and the Black Hawks were trailed again. Al Secord's power-play goal, on a rebound off a shot by Sutter, eluded Fuhr with 25 seconds left in the period.

"Sometimes when you beat such a good team as Edmonton, it becomes a confidence factor," said Chicago's coach, Bob Fulford. "We've evened things up and it's a whole new series."

"If there is such a thing as momentum, the Hawks had it," said Gretzky.

Referee Ron Hogarth called 35 penalties for a total of 110 minutes. "We can't skate with them," said Larmer. "We've got to play a physical game."

In Philadelphia, the Nordiques pried the home-ice advantage back from the Flyers as Alain Cote and Brad Maxwell put third-period goals past struggling Pelle Lindbergh after the Flyers had erased a two-goal deficit.

All of Philadelphia's talkies came on power plays against rookie goaltender Mario Gosselin, who stopped 34 shots in a strong performance.

It was the Flyers' first loss at home in 22 games, and Quebec's second victory in 15 visits (the other had been in January 1981).

Quebec led, 3-2, going into the final period, when Philadelphia tied it at 3:08 on Mark Howe's 40-foot power-play shot, which slid under Gosselin's right leg. But Cote, who had scored in the first period, put the Nordiques back ahead, 4-2, seconds later. Anton Stastny's shot carried off Lindbergh's pads, and Cote poked in the rebound from five feet. A defensive specialist who had just 13 goals during the regular season, Cote now has five in the playoffs.

Quebec added an insurance goal at 12:37 on Maxwell's shot from just inside the blue line during a power play.

With the series shifting to Quebec Tuesday night, the injury-beset Flyers are at a distinct disadvantage. "Home ice is important," said Quebec's Michel Bergeron. In a rare display of forthrightness for a coach, he added: "It wasn't important yesterday because we didn't have it, but today it's very important because we do."

Of his dejected team, Coach Mike Keenan said: "Brad McCrimmon was awarded our most valuable defenseman trophy, and you miss a player like that. And when you consider our lineup, without Tim Kerr and Dave Poulin, we're scoring very well."

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Knicks Win NBA Draw For Ewing

By Sam Goldaper

NEW YORK — The New York Knicks won the grand prize in pro basketball's draft lottery here Sunday and now have the rights to Patrick Ewing, the nation's most renowned college basketball player.

In a dramatic ceremony at the Waldorf Astoria, the National Basketball Association conducted its first-ever lottery to determine the first seven choices in the June 18 college draft.

The participants were the seven teams that did not make the current playoffs.

The tension grew as the teams were announced in reverse order, from No. 7 to No. 1. When Commissioner David J. Stern announced that the Indiana Pacers would have the No. 2 choice, Dave DeBusschere, head of the Knicks' basketball operations, leaped up from his seat, took a deep breath and raised his fist in triumph.

His prize is Ewing, the 7-foot (2.13-meter) center from Georgetown University who is the most widely hailed college player since Lew Alcindor, now Kareem Abdul-Jabbar, in 1969. A three-time all-American, Ewing led Georgetown to the national collegiate championship game in three of his four years. Georgetown won the title in 1984.

Ewing is considered the kind of player who can turn a team around, and the prospect of having him at center is particularly important for the Knicks, who lost their top two centers to injury before the 1984-85 season and without a big man in the middle, struggled to a 24-58 record, their worst since 1962.

In the two to three hours following the nationally televised lottery, the Knicks said their offices received more than 1,000 phone calls from people offering congratulations and asking for season-ticket applications.

"I really didn't get into the lottery until after the 7, 6, 5," DeBusschere said. "But once we were one of the three, I started to get a little cocky and told myself, 'Let's win it all.'"

"I wasn't nervous at the start, but the tension began to grow," DeBusschere acknowledged. "Pretty soon, I began to get the feeling that I would rather be taking the last shot in a game than waiting for Stern to open the envelope."

The college draft is designed to help balance the NBA by giving weaker teams the opportunity to draft better players. This year's lottery replaced the previous system — a coin toss between the teams with the worst records in the Eastern and Western Conferences — and was instituted in part to remove any incentive for a team to finish last.

The other teams in Sunday's lottery were the Pacers, Atlanta Hawks, Los Angeles Clippers, Golden State Warriors, Sacramento Kings and Seattle SuperSonics. Each was represented by a general manager or owner, who sat on the stage of the Waldorf's Sunlight Room as Stern drew seven gray envelopes, each bearing the team logo of a participant, from a clear container.

When he opened the first envelope and announced that Golden State would have the No. 7 pick, Al Attles, the Warrior general manager, moaned.

Golden State had the worst record in the Western Conference and, under the old system, would have been involved in the coin flip for the first pick.

After the fourth envelope was opened and the Knicks were still alive, DeBusschere placed his clasped hands to his mouth.

"When Stern was about to open the fourth envelope, I said to myself if only we can get past No. 4, we would be sure of getting one of the three top big guys," DeBusschere said. In a draft featuring a number of good big men, three are considered standouts — Wayne Tisdale, Oklahoma's high-scoring forward; Benoit Benjamin, Creighton's 7-foot center; and Ewing. They are part of an elite group that should last as well as last year's at contract time.

When the Los Angeles Clippers got the third pick, DeBusschere's hands covered his eyes. "When I got down to the last two," he said, "I couldn't look, couldn't listen."

Moments later, he was rising and clenching his fist.

"I don't play the lottery or bet on the horses," said DeBusschere. "The only thing I've ever won is some good club bed covers."

Born in Jamaica, Ewing came to the United States when he was 12 and attended Rindge and Latin High School in Cambridge, Massachusetts. A physical, imposing player, the 240-pound (108.8-kilogram) Ewing immediately turned Georgetown into a national basketball force. In four seasons he scored 2,184 points and pulled down 1,316 rebounds.

More than that, Ewing is a fierce defensive player who has intimidated opposing teams. He and his teammates have often been viewed as aggressive bullies, and one of the ironies of his coming to New York is that he will be playing where he was often booed by followers of St. John's, Georgetown's Big East Conference rival.

DeBusschere spoke to Ewing by telephone after Sunday's drawing. "Patrick told me he was glad the lottery was over," DeBusschere said, "and he was looking forward to getting back to playing again."

Incidentally, the first number selected Saturday night in the New York State Lottery was No. 33, the number Ewing wore at Georgetown and will wear with the Knicks.

1984's Top Ten
(All figures in thousands)

Player	Team	Points	Rebounds	Assists	Steals	Blocks
Patrick Ewing	Georgetown	1,845	1,316	108	108	108
Wayne Tisdale	Oklahoma	1,775	1,000	100	100	100
Benoit Benjamin	Creighton	1,775	1,000	100	100	100
Charles Barkley	Duke	1,775	1,000	100	100	100
Michael Jordan	North Carolina	1,775	1,000	100	100	100
Sam Perkins	San Francisco	1,775	1,000	100	100	100
David Robinson	San Antonio	1,775	1,000	100	100	100
Scottie Pippen	Arkansas	1,775	1,000	100	100	100
Greg Kinnear	Arizona	1,775	1,000	100	100	100
Scottie Pippen	Arkansas	1,775	1,000	100	100	100

Seeds to Fill
(All figures in thousands)

Team	Points	Rebounds	Assists	Steals	Blocks
Atlanta	1,845	1,316	108	108	108
Golden State	1,775	1,000	100	100	100
Los Angeles	1,775	1,000	100	100	100
San Antonio	1,775	1,000	100	100	100
Seattle	1,775	1,000	100	100	100



Ewing: The pick of the crop.



Ewing: The pick of the crop.

defensive player who has intimidated opposing teams. He and his teammates have often been viewed as aggressive bullies, and one of the ironies of his coming to New York is that he will be playing where he was often booed by followers of St. John's, Georgetown's Big East Conference rival.

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Incidentally, the first number selected Saturday night in the New York State Lottery was No. 33, the number Ewing wore at Georgetown and will wear with the Knicks.

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